

The University of Chicago

EFFECTS OF OVER-ALL
PROPERTY TAX LIMITATION UPON
SCHOOLS AND MUNICIPALITIES
IN THE STATE OF MICHIGAN

A DISSERTATION SUBMITTED TO THE FACULTY
OF THE DIVISION OF THE SOCIAL SCIENCES IN
CANDIDACY FOR THE DEGREE OF DOCTOR OF
PHILOSOPHY

DEPARTMENT OF EDUCATION

1942

By
LOY NORRIX

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CHAPTER I

INTRODUCTION

Throughout the history of the state tax systems there have been limits placed upon specific tax rates to be levied by different local governmental units, and limits placed upon the property tax rate for state revenue purposes. The first over-all limit upon property taxation, however, was established by the State of Rhode Island in the year 1878. The second instance was in the State of Nevada in 1895; the third, in Illinois in 1901; and the fourth, in Oklahoma in 1907. In 1911, the legislature of the State of Ohio enacted the Smith one-per-cent law, which was the most drastic of the property tax limitations that had been enacted by American states.

There were no further successful attempts to establish an over-all limit on the property tax rate of any state until the depression period of the 1930's. Organizations and individuals interested in relief from the property tax burden secured over-all limitations in Indiana, Michigan, Washington, and West Virginia in 1932, and in New Mexico in 1933. In Oklahoma and Ohio, reductions in existing limits were made in 1933.

Since 1933, not a single state has placed an over-all limit on its property tax rate. In 1934 and 1935, proposals regarding over-all property tax limits were defeated in the legislatures of Illinois, New York, and New Jersey. Constitutional amendments to place an over-all limit on the tax rate were defeated in Oregon in 1934, and in Colorado and Georgia in 1936. Arizona defeated a similar proposal in 1940. These statements reveal that proponents of the over-all property tax limitation movement have been, for the most part, unsuccessful since the depression years of 1932 and 1933.

While serious criticisms have been made against these tax restrictions, it would not be correct to assume that there were no justifications for the property tax limitation movement. During the early years of the depression property values declined rapidly, but the decline in the costs of operating governments

lagged. A heavy tax burden was placed upon many property owners, and tax delinquency reached an alarming stage. Relief was necessary, and the quickest way to achieve relief was to impose a limitation on the tax rate. Quite as important as limiting the property tax rate was the shifting of the tax burden to other taxpayers or other sources of tax revenue. This was one of the results to be expected from property tax limitation measures. In fact, some proponents of the movement urged its adoption on the ground that such action would tend to correct some of the defects of the property tax system.

The present study grew out of a desire for more information on the effects of the property tax limitation in Michigan. The limitation was adopted in this state as a constitutional amendment in November, 1932, and it placed a restriction of fifteen mills on the tax rate. It became effective for taxes levied in 1933-34. Two exceptions, however, make the Michigan limitation more elastic than is the case in some states. For one thing, taxes levied for the payment of interest and principal on obligations incurred prior to the adoption of the amendment are outside the limitation. For another, municipal levies are not under the limitation unless the city charter so provides.

When preparations for this study were being formulated in 1937, there was a widespread interest among cities to vote to place their tax rates under the limitation. In fact, during 1934 and 1935, eleven Michigan cities so voted. Much of the sentiment in favor of so limiting municipal tax rates showed little regard for the effects upon services offered by local governmental units represented in the counties, townships, cities, and school districts, should such action take place. It was apparent that a study of these effects was necessary in order that, in the future, governmental agencies might know some of the results of rigid tax limits in advance of placing them in effect.

Recent Writings on Property Tax Limitations

In the State of Colorado, the movement to enact a property tax limitation through a constitutional amendment was placed before the people in 1936. In that year, a report was prepared "in the hope that it may contribute to clear thinking in Colorado on the subject of property tax limitation."¹ This document reported

¹Don C. Sowers, The Effect of Tax Limitation upon State

the arguments against tax limitation, and the effects of tax limits in seven other states: Indiana, Michigan, New Mexico, Ohio, Oklahoma, Washington, and West Virginia. There is no doubt but that the report was effective in a large measure in the defeat of the proposal in Colorado.

The Public Administration Service published two reports on property tax limitation laws, one in 1934¹ and another in 1936.² While these reports were not confined strictly to states with over-all limits, they provided much valuable information on the effects of over-all limits. They include arguments both for and against property tax limitations, and a report on municipal finances in cities operating under such limitations.

The Bureau of Government of the University of Michigan made a study of the "Recent Developments in the Michigan Tax Situation"³ in 1936, in which it reported on the tax problem from 1930 to 1933 and the development of the new tax policy after 1933.

The Michigan Municipal League, in 1938, published a report on the "Status of Finances and Services in 15-Mill Limitation Cities."⁴ This study was made with the purpose of discovering the effects on municipal governments only, in the cities under the property tax limit.

Schimmel⁵ made a report for the Tax Study Commission of Michigan in 1938, on the "Effect of 15-Mill Limitation." This report, like that of the Michigan Municipal League, included only the 15-mill cities, and dealt chiefly with effects upon the municipal governments.

and Local Governments in Colorado (Boulder, Colorado: University of Colorado, 1936), p. 3.

¹Glen Leet and Robert M. Paige (eds.), Property Tax Limitation Laws (Chicago: Public Administration Service, 1934), Publication No. 36.

²Ibid., 1936, Publication No. 36 revised.

³Robert S. Ford, Recent Developments in the Michigan Tax Situation (Ann Arbor: Bureau of Government, University of Michigan, 1936), New Series Bulletin No. 4.

⁴Status of Finances and Services in 15-Mill Limitation Cities (Ann Arbor: Michigan Municipal League, 1938), Information Bulletin No. 35.

⁵Louis H. Schimmel, General Property Tax: Effect of 15-Mill Limitation (Detroit, Michigan: Tax Study Commission of the State of Michigan, 1938).

Phillips¹ reported on "Public School Finance in Michigan" in 1940. His report reveals the amount of money collected for school operation from various sources over a considerable number of years--1925 to 1938, inclusive.

Anderson² reported a study in 1939 of the "Effects of the Property Tax Limitation Law upon School Support in Michigan Cities." He reported for ten school systems in ten cities in which the municipal tax rates are not under the state-wide limitation.

These, and a report issued by the New York State Commission for Tax Revision,³ are the major studies available on the direct effects of property tax limits. Many writers on the subject of over-all limitations have contributed articles to such publications as the Tax Magazine, the National Municipal Review, and periodicals issued by the Municipal Finance and National Tax Associations. These reports and articles indicate the widespread interest in the subject of tax limitations.

The Tax Limitation Movement in Michigan

In Michigan, the movement for tax limitation was largely sponsored by farm groups and real estate interests. Opposed to the amendment were the various teachers' organizations, parent-teacher associations, women's clubs, state tax commission, Michigan Municipal League and the Michigan Education Association. Smith believes that tax limitation would not have been adopted in Michigan except that certain favorable conditions developed. He says:

Unusual difficulties largely brought on by the business depression beset the commonwealth, and the temper of the electorate was to jump in any direction that offered possible relief from the burdens of government and then contemplate the results afterward.⁴

¹A. J. Phillips, Public School Finance in Michigan, Legislation Help No. 3 (Lansing, Michigan: Michigan Education Association, 1940).

²George R. Anderson, "Effects of Property Tax Limitation Law upon School Support in Michigan" (Unpublished Master's thesis, Dept. of Education, University of Chicago, 1939).

³Eighth Report of the New York State Commission for the Revision of the Tax Laws, Legislative Document No. 61 (Albany, 1937).

⁴Harold D. Smith, "Tax Limitation in Michigan," Property Tax Limitation Laws (Chicago: Public Administration Service, 1936). Publication No. 36, p. 64.

There was general agreement that the property tax system needed overhauling. This, no doubt, was in the minds of many persons when they advocated the over-all limit on the property tax rate. Many felt that there was no better way to force a broadening of the tax base than to create a crisis by limiting the property tax rate. It should be noted here that many groups and individuals who opposed the over-all tax limitation measure were chiefly concerned with the nature of the amendment proposed and were not necessarily against the principle of economy in government and tax limitation principles in general.

The Problem

Any major change in the tax system will likely produce changes in the amount of revenue provided for the financing of governmental units, and may affect the personnel and the services provided by that unit. This investigation was made for the purpose of ascertaining what effects the over-all property tax limitation has had upon financial support for school districts and municipalities in Michigan, and upon services offered and personnel employed.

Scope of the Investigation

Although the major portion of this investigation deals with the over-all property tax limitation in Michigan, an examination of the laws of other states having over-all limitations on their property tax rates was made in order to learn how the sentiment for over-all limitation grew, and how tax limitations in other states have influenced the thinking and subsequent actions of Michigan legislators. Therefore, a general review of the factors leading to over-all property tax limitation is given in Chapter II, and a brief historical account of over-all property tax limits in other states is provided in Chapter III. Later chapters will describe the Michigan over-all limitation in detail, and provide data on the effects of the limitation upon financial support for schools and municipalities, and upon the personnel employed and services offered.

Some of the limitations of this study should be noted:

1. The investigation is limited to ten years, three of which precede the year in which the over-all limitation amendment became effective in Michigan. Most of the information

collected deals with the decade, 1930 to 1940.

2. Detailed information regarding the effects of this legislation is limited to the State of Michigan. The provisions of the limitation laws of other states having over-all property tax limits are briefly reviewed.

3. One of the limitations of this investigation is the number of school systems and municipalities included. It is believed, however, that the number is sufficiently large to make the findings significant.

4. Completely reliable data on all phases of the investigation could not be secured from all school systems nor from all of the municipalities included in the study.

5. Clear-cut distinctions between effects of the property tax limitation and effects of the business depression were difficult to make.

6. Since business conditions change rapidly, and greatly affect the financial welfare of all taxing units, some results reported as pertinent facts in the last few years of the decade under observation might change materially over a longer period of time.

Sources and Treatment of Data

The sources which provided the greatest amount of information on property tax limitations were the publications issued by the Public Administration Service; the Bureau of Business and Government Research of the University of Colorado; the National Tax Association; and the Bureau of Government of the University of Michigan. The National Municipal Review, Municipal Finance, and The Tax Magazine furnished current information on the effects of over-all property tax limitations. The Municipal Yearbooks furnished valuable information on aspects of municipal financing, as did the publications of the Michigan Municipal League.

For the legal basis of the limitations in other states, citations from the statutes and constitutions of the various states were used. Information on the manner in which the limitations were administered, and also on some of the effects of the limitations, was received directly from the chief school officers of the states having over-all limitations.¹

For most of the material on school districts in Michigan, information from twenty-two cities was used--eleven in which the

¹Copy of letter to state officials will be found on p. 312.

municipal rates were under the limitation,¹ and eleven others, as nearly comparable in size as possible, in which the municipal rates were not under the over-all limitation.² To each superintendent of schools in these cities was addressed a questionnaire³ with a request for information for each of the ten years, 1930 to 1940. In addition to this information, supplementary data were secured from the reports of the Superintendent of Public Instruction, and from the office of the Executive Secretary of the Michigan Education Association.

For the section on services offered by the school districts, twenty-two additional cities were included,⁴ in order to obtain information from all of the cities in Michigan having a population of ten thousand and above (excluding Detroit). Questionnaires⁵ were sent to the school superintendents in this case also.

Information on municipalities was secured from several sources, including: the Municipal Yearbooks; a questionnaire sent to city officials;⁶ the Michigan Department of Welfare; the county welfare departments; the State Liquor Control Commission; State Highway Department; report of the State Tax Study Commission of Michigan; bulletins from the Bureau of Government of the University of Michigan; data furnished by county school commissioners⁷ and county clerks⁸ of the counties in which the cities under

¹Battle Creek, Belding, Flint, Grand Rapids, Ionia, Jackson, Muskegon, Muskegon Heights, North Muskegon, Pontiac, and Saginaw.

²Ann Arbor, Bay City, Benton Harbor, Dearborn, Escanaba, Hamtramck, Hastings, Highland Park, Kalamazoo, Lansing, and Port Huron.

³Copy of questionnaire may be found on pp. 313-15.

⁴Adrian, Alpena, Calumet, Ecorse, Ferndale, Grosse Point, Holland, Iron Mountain, Ironwood, Lincoln Park, Marquette, Menominee, Monroe, Mount Clemens, Niles, Owosso, River Rouge, Royal Oak, Sault Ste. Marie, Traverse City, Wyandotte, and Ypsilanti.

⁵Copy of questionnaire may be found on pp. 320-21.

⁶Copy of questionnaire may be found on pp. 317-18.

⁷Copy of form requesting information will be found on p. 319.

⁸Copy of form requesting information will be found on p. 371.

investigation were located; and the publications of the Michigan Municipal League.

Since information on certain phases of the investigation pertaining to municipalities was available only for some of the larger cities of the state, just fourteen cities were included in a portion of this report.

The information on schools is analyzed with the following aims:

1. To show the effects of the tax limit as they are reflected in changes in school financing, school personnel, and school services.
2. To show effects upon the school systems in those cities in which municipal rates are under the limitation.
3. To distinguish between depression results and results of the tax limitation.

Changes in legislation during the ten-year period which relate to increases in state support or control of schools and municipalities have been included. Replacement taxes made necessary because of the limitation are also included as a part of the study.

The analysis of data pertaining to municipalities presents a comparison of the methods of financing, the services offered, and the administration of the personnel in two groups of cities--one in which all municipal tax rates are under the limitation, and the other in which the municipal rates are not subject to this limitation.

Numerical data have been arranged in tables. Information on personnel and services is for the most part in narrative form, reporting each school system individually.

Definition of Terms

Throughout this report, three terms are used rather frequently and a definition of each appears to be advisable. These terms are, "over-all property tax limitation," "15 mill city," and "non-15 mill city."

The following definition is quoted from an authoritative publication:

An over-all property tax limit, in its strictest sense, is a constitutional or statutory provision fixing a maximum property tax rate or rates which may not be exceeded by the combined rates of the state and all its political subdivisions

having jurisdiction within a given area.¹

A "15 mill city" is a city in which the municipal tax rate has been placed under the fifteen mill limitation.

A "non-15 mill city" is one in which the municipal tax rate is not under the fifteen mill limitation.

The term "over-all property tax limitation" is used generally throughout the report, while the terms "15 mill city" and "non-15 mill city" are used principally in the section on Michigan. All Michigan cities are "non-15 mill cities" unless the electors therein vote to amend the city charter to place the municipal tax rate under the state-wide limitation. In the eleven which have so voted, the fifteen mills must be divided among the school district, the county, and the municipality, whereas in "non-15 mill cities," the school district and county divide the fifteen mills and the municipal government may levy in excess of that amount. No township tax is levied within the boundary of a city, but if the school district extends beyond that limit, then the township levy, too, must be included in the fifteen mills.

¹A. Miller Hillhouse and Ronald B. Welch, Tax Limits Appraised (Chicago: Public Administration Service, 1937), Publication No. 55, p. 1.

CHAPTER II

THE PROPERTY TAX SYSTEM AND OVER-ALL LIMITATION

In connection with a discussion of over-all property tax limits, reference should be made to some of the fundamental principles upon which the property tax system is based, and some of the factors leading to the property tax limitation movement. This chapter, then will include a general review of the following: the sources of tax revenue, the defects of the property tax system, the difficulty of evaluating property, tax delinquency, and the over-all property tax limitation movement. A more detailed account of tax limitation in Michigan and in other states having such over-all limits will be found in later chapters.

Sources of Tax Revenue

Along with the development of governmental services in the United States has gone the obligation to pay for these services at public expense. Whether national, state, or local, the situation has been the same. Some form of wealth, or a commodity or service representing wealth, has been taxed to pay for or to provide those things which were thought to be for the common good and common interest. The chief sources of tax revenue throughout the history of the United States have been real and personal property, and it has been considered that "the value of property affords a sound basis for levying a large part of our taxes."¹

With few exceptions, both state and local governments have depended largely upon the property tax for their support from the earliest days of their existence down to 1932. In a great majority of states, the property tax still provides the major portion of the support of local government.

Martin² recently reported a shifting of the source of

¹Hastings Lyon, Principles of Taxation (New York: Houghton Mifflin Company, 1914), p. 31.

²James W. Martin, "Tendencies in State and Local Taxation," The Tax Magazine, XVIII, No. 2 (February, 1940), 86.

state tax revenue. His report reveals that in 1932 the state governments of the United States derived distinctly less than half as large a proportion of tax revenues from property taxes as they did in 1902.

When life in the United States was chiefly agrarian, the farmer's land was the basis for a livelihood, and, to a considerable extent, for the support of the government. Following the Civil War, industries began to flourish, and coincidental with the building of large industrial plants and large cities, the wealth of the nation began to shift into industrial plants and machinery. Great railway and communication systems were developed, which added other sources of property wealth to serve as a basis of taxation. Increasingly, the income of individuals employed in industry made possible a rise in the standard of living and this income became a new and vital part of the wealth of the nation.

Whatever the justification for a large share of tax revenue coming from a tax on real and personal property, the huge drain on this source, together with the defects in the property tax system and large delinquencies in tax payments, brought on a serious crisis in government finances in 1930.

Some relief from the general property tax had already begun to appear before 1930 in the form of taxes on income and inheritances, privilege taxes, and sales taxes. These taxes were to bear a much larger share of the tax burden in the next ten years, for they have all shared in the replacement of the tax revenue lost through the decline in the property tax levies.

Defects of the Property Tax System

One of the chief criticisms made of the general property tax was the inequitable manner in which it distributed the burden of taxation for the support of government. The very fact that large delinquencies occurred at the beginning of the depression was evidence, according to some authorities, that the property tax system was inequitable and defective.

Lutz refers to two assumptions formerly held regarding property as a tax source which he thinks are today untenable. These assumptions are:

1. That property and property rights, taken as a homogeneous whole, constitute an adequate and comprehensive measure of the ability of all citizens to pay.

2. That property is a sufficiently broad measure of ability to reach all persons who may have any taxpaying ability.¹

His contention is that the property tax, as a foundation of the tax system, is unsound and defective because property, as classified between real and personal, is not sufficiently broad in scope to include all those able to pay, and the mere fact that one has property listed in his name is not necessarily an indication that he has the ability to pay more taxes than one who has no property listed.

Some of the inadequacies of the property tax system are characterized by an eminent professor of public finance in these words:

The old general property tax, which aimed to tax all property at a uniform rate, was well fitted to serve the fiscal needs of the older American states in the early stages of their economic development, because property consisted largely of realty and tangible personalty; but the same system is entirely inadequate to meet the needs of the complex economic structure of the present day.²

Spengler³ advances an argument against the tax on real property as the chief source of tax revenue. He reports a study of the records of the Probate Courts of three counties in Illinois, in which it was revealed that real estate formed only forty-five per cent of the total value of the estates which were probated. This led to the conclusion that realty forms only forty-five per cent of the total wealth of the three counties studied, and if taxable wealth is to be taken as a criterion for the equitable distribution of the tax burden, the natural corollary is that, under the existing scheme of taxes in 1930, real estate was bearing too much of the burden.

In a study of the value of estates for the years 1912 to 1923, Spengler⁴ found that about one-third of the total value of

¹Harley L. Lutz, Public Finance (New York: D. Appleton & Company, 1932), p. 347.

²Edwin S. Todd, "An Ideal Tax System," The Tax Magazine, XIV, No. 6 (June, 1936), 334.

³Edwin H. Spengler, "Property Titles or Wealth," Bulletin of the National Tax Association, December, 1930, p. 68.

⁴Federal Trade Commission, National Wealth and Income, (Senate Document No. 126, Year 1926), p. 57 ff.

estates, distributed between rural and urban communities, represented real estate directly owned. Two-thirds of the value of the estates were household furnishings, personal items, deposits in savings banks, deposits in commercial banks, cash, bonds and stocks, and mortgages held. He believes that personal property and intangibles have not borne their proportionate share of the property tax burden.

For several years prior to the depression of the 1930's, authorities on taxation had been issuing warnings that the property tax burden was increasing too rapidly, to a point where revisions must be made, or relief would be sought through other sources of taxation. They pointed out what they regarded as inequalities in the property tax system, and that property carried too large a share of the tax burden. One of these authorities, E. R. A. Seligman,¹ whose characterization of the weaknesses of the property tax system has become the basis for much of the discussion on the subject in subsequent writings, lists five defects of the property tax:

1. Lack of uniformity.
2. Lack of universality.
3. Is an incentive to dishonesty.
4. Is often regressive.
5. Often results in double taxation.

Seligman concludes:

The general property tax as actually administered is beyond all doubt one of the worst taxes known in the civilized world. Because of its attempt to tax intangible as well as tangible things, it sins against the cardinal rules of uniformity, of equality and the universality of taxation. It puts a premium on dishonesty and debauches the public conscience; it reduces deception to a system, and makes a science of knavery; it presses hardest on those least able to pay; it imposes double taxation on one man and grants entire immunity to the next. In short, the general property tax is so flagrantly inequitable, that its retention can be explained only through ignorance or inertia.

In a discussion of the fundamental principles underlying a sound system of taxation, Morrison gave to the income tax an

¹E. R. A. Seligman, Essays on Taxation (New York: The Macmillan Company, 1928), p. 61.

²Ibid., p. 15.

important place as a source of taxation. Even though he considers the property tax a definite part of a sound tax system, he contends that it should not bear the whole burden. The following statement makes clear his position: "The retention of the general property tax, in the form familiar to Americans, at least as the foundation of a general tax system, among a people distinguished for economic genius in the ordinary affairs of business, is an enigma."¹

The National Tax Association² in 1933 proposed a Model Tax Plan which included: (1) a personal income tax levied by the state of residence, (2) a tax on tangible property levied by the state of situs, and (3) a business tax levied by the states in which the business is conducted.

In support of the contention that rural real estate was paying too great a share of general property taxation, Smith says:

The farmers had begun to lose ground economically prior to 1929. Since their wealth was chiefly invested in property which they felt was carrying too much of the cost of government, they were the first to start movements to broaden the tax base.³

These statements were typical of those pointing to the more common defects in the general property tax system. It may well be understood that organizations representing real estate and agricultural interests were some of the first and most powerful in bringing about a limitation of the property tax rate.

Difficulty of Evaluating Property

The determination of the value of property for the purpose of levying taxes remains one of the problems of property tax administration, and the difficulty of administering the intangibles tax has caused much of the criticism of the tax on property. Local assessing agencies usually have had the authority, within specified limits, to establish a value for property on which the tax rate applies. Wide variability in the basis of property valuation has

¹Henry C. Morrison, School Revenue (Chicago: The University of Chicago Press, 1930), p. 149.

²National Tax Association, Second Report on a Plan of a Model System of State and Local Taxation (Lancaster, Pennsylvania: Wickersham Printing Company, 1933).

³Smith, op. cit., p. 64.

commonly existed from unit to unit among the local governmental taxing bodies within a given state. Some states have organized boards with power to equalize assessments of property throughout the state for the purpose of taxation, especially when a state-wide tax is levied.

It is generally conceded that proponents of over-all tax limitations used as one of their arguments that a limit on the rate would bring about tax reform. Mr. Herbert U. Nelson, Secretary of the National Association of Real Estate Boards, in an article entitled, "The Case for Tax Limitation," frankly states that "the finest thing which can be said for tax limitation is that a train of further tax reforms, in practice, follow it."¹ He lists as one of the results, "pressure for accurate and fair assessment of property for tax purposes."²

It was also hoped that tax limitation would result in a more complete assessment of intangible property, and that if the tax were low, there would be less evasion, or less pressure to seek tax exemption, which is always more pronounced as the tax rate rises.³

In spite of these hopes for tax reform and more equitable assessments, the question of fair valuation of property still remains. Hamburg thinks this problem has become even greater within recent years:

Today, even more so than twenty years ago, value remains an elusive concept; and the standards for appraising value are neither accurately defined nor universally accepted. Most frequently, valuation controversies are in connection with the determination of the taxable values of real estate and securities.⁴

Some authorities have called attention to the fact that, while property affords a sound basis for levying a large part of our taxes, we are confused in our use of the word "property."

¹Herbert U. Nelson, "The Case for Tax Limitation," Property Tax Limitation Laws (Chicago: Public Administration Service, 1936), Publication No. 36, p. 7.

²Ibid.

³Harley L. Lutz, "Motives Behind the Tax Limitation Movement," Property Tax Limitation Laws (Chicago: Public Administration Service, 1936), Publication No. 36, p. 17.

⁴Alex M. Hamburg, "Valuation of Real Property for Taxation," The Tax Magazine, XVII, No. 3 (March, 1939), 139.

Lyon says:

. The term "property is a legal rather than an economic term. Yet we are discussing taxation primarily as an economic rather than as a legal matter. Much of our practice in taxation has confused the legal word "property" with the economic word "wealth," and has gone ahead as if they were synonymous.¹

This fact makes the evaluation of "property" difficult, and provides some justification for the shifting of the tax burden away from property. Lyon's statement is typical of those who have argued for relief from excessive property taxes by pointing out that it is "wealth" that should carry the tax burden, and that the term "property" does not always serve to designate wealth. Ford and Wood support this argument in the statement that "many of the tax practices are based upon the assumption that the economic concept of wealth is synonymous with the legal concept of property."² While tax limitation may tend to force a more uniform assessment of property, and a more equitable distribution of the tax burden, it makes the evaluation of property no less difficult.

The value of property is constantly changing. In times when the country is undergoing a business depression, property values drop, and with a return to business prosperity, property values rise. Also, the great amount of property in some of the intangible forms is so elusive as to make difficult a fair and just assessment of tax on such properties. These facts still make the property tax difficult to administer.

Tax Delinquency

In most states, large amounts of delinquent taxes were carried on collector's books during the early years of the depression and this fact was a potent influence toward the establishment of tax rate limitations in some of the states. Smith lists tax delinquency as one of the factors leading to the limitation on property taxes in Michigan, and makes the following statement in this connection:

In the days of prosperity the relative burden of governmental costs (although reaching a peak in 1929 and 1930) was

¹Lyon, op. cit., p. 31.

²Robert S. Ford and William B. Wood, Taxation of Intangibles in Michigan (Ann Arbor: University of Michigan Press, 1939, Michigan Governmental Series, No. 2), p. 20.

not unbearable when judged by the fact that in 1928 state property tax collections were 99.2 per cent of the levy; in 1929, 96.4 per cent; and in 1930, 93.4 per cent. Local property tax collections showed a similar record. However, with the advance of the business depression and especially beginning in 1930, property tax delinquency increased tremendously, despite the fact that the 1932 tax levies had lopped \$50,000,000 off the peak property tax levy of \$266,000,000 in 1930.¹

Ford,² in reporting on the levies, collections, and delinquencies of the state property tax in Michigan over a thirteen-year period, gives the percentage of current collections as lowest in 1933, when they were only 38.0 per cent of the levy. Collection of previously delinquent taxes during that year brought the total to 49.1 per cent of the levy, as compared with 84.6 per cent for 1932 and 92.0 per cent for 1931.

The peak year for tax delinquency, according to Bird,³ was in 1933. Bird made a study of year-end delinquencies of one hundred fifty cities of over fifty thousand population. His data show that in 1930 the median year-end delinquency was 10.15 per cent in these one hundred fifty cities. In 1931, it was 14.6 per cent; in 1932, 19.95; in 1933, 26.35; in 1934, 23.05; in 1935, 18.0; in 1936, 13.6; and in 1937, 11.3 per cent.⁴ The property tax delinquency at the end of 1932 in these cities was about one-fifth of the total taxes levied, and the following year the delinquency rose to a little over one-fourth of the total amount levied. Woodworth reports a total delinquency in the United States on property taxes of \$909,000,000 in 1933 on levies of \$4,400,000,000 against property valued at \$139,000,000,000, a national average rate of 3.2 per cent on assessed values.⁵ This situation would be serious enough to create a major crisis in any governmental unit. Bird reports that "the size of the city

¹Smith, op. cit., p. 64.

²Ford, op. cit., p. 14.

³Frederick L. Bird, The Trend of Tax Delinquency, 1930-1937 (New York: Municipal Service Department, Dun & Bradstreet, 1938).

⁴Ibid.

⁵Leo Day Woodworth, "Importance of Property Tax in State and Local Tax Systems," Property Taxes (New York: Tax Policy League, Inc., 1939), p. 12.

appears to have little relation to tax delinquency," but that "the greatest per cent of delinquency in 1933 and 1934 was in the largest cities."¹

Hillhouse and Welch² reported on the percentage of taxes delinquent in 1933 in three of the states having tax limits—Ohio, Oklahoma, and Rhode Island—and compared these with the delinquency of 20.5 per cent for the country as a whole. Ohio reported a delinquency of 26 per cent in 1933. In the same year, Oklahoma reported a delinquency of 25.5 per cent and Rhode Island reported 17.5 per cent. Two of these states had delinquencies above the average for the country as a whole. These facts do not bear out the assumption that over-all limits will always result in a reduction of tax delinquency. However, a study of these states before and after 1933 would be necessary before the delinquency reported in that year could be related in any way to the over-all limitations. No data can be secured to tell what the per cent of delinquency in these states might have been if the over-all limits had not been in operation. In most instances, it seems reasonable to assume that the tax delinquency was an important factor in the movement for the establishment of limits on the property tax rate, rather than a result of such limitation.

The Movement for Over-all Property Tax Limitation

In the year 1932, tax delinquency and other factors in the general breakdown of the property tax as the major source of revenue for the carrying on of local and state governments brought on in several states a serious crisis. Real estate dealers and property owners became loud in their demands for relief from the burden of property taxes. Earlier limitations which had been imposed--with the exception of the Smith one-per-cent law in Ohio--were not usually so rigid as to affect all units of government, but merely as a curb to keep taxes from rising higher. With the advent of the depression period, however, the cry seemed to be, in short, "We'll pay only so much; get the rest of your money somewhere else

¹Frederick L. Bird, "The Five-Year Trend in Tax Delinquency," Municipal Finance, February, 1935, p. 25.

²A. Miller Hillhouse and Ronald B. Welch, "Experience in States with Over-All Limits," Tax Limits Appraised (Chicago: Public Administration Service, 1937), Publication No. 55, p. 23.

or go without."¹ In 1932, four states, Indiana, Michigan, Washington, and West Virginia, placed over-all limits on their property tax rates. In 1933, New Mexico, which formerly limited only the state tax, extended the limitation to all local units; and Ohio and Oklahoma further reduced existing limitations. Nevada, in 1936, wrote the five per cent statutory limitation into the state constitution.

Sowers reports that there have been many types of tax limitations, but that the over-all limit is a comparatively recent development growing out of the depression period. He says:

The older type of tax limitation imposed limitation on the rates which could be levied by each class of taxing subdivision, state, counties, schools and municipalities. Twenty-one states limit the rate which may be levied on property for state purposes. . . . In thirty-seven states, municipalities cannot exceed the maximum prescribed. School districts, townships, and other taxing units are limited in some states. These earlier tax limitation laws were imposed largely for the purpose of preventing taxes from going higher and in the main were fixed at a point which did not seriously interfere with the normal operation of state and local governments.²

The newer type, the over-all limit on the property tax rate, places a ceiling on the combined rates which may be levied on a given piece of property by all taxing units, including state and local governments.

In a discussion of limits which have been placed upon the property tax, Thiel lists six major classifications into which the limits are divided, one of which is the over-all limit on the tax rate. The list is given here to indicate the variety of ways in which states have attempted to place limits on the amount of tax revenue which could be raised from the general property tax:

1. Tax limits which state a fixed maximum rate of tax.
 - (a) Blanket rate limitation on the aggregate levy on each \$100 valuation.
 - (b) Maximum rate limitation for each governmental unit.
 - (c) Maximum rate limitation for various purposes or funds.
2. Limitations which restrict the amount of levy to a stated per cent of the amount of some previous year, or average of certain years.

¹Sowers, op. cit., p. 7.

²Sowers, op. cit., p. 5.

3. Limitations which restrict the amount of revenue to be raised to a fixed amount per capita.

4. Limitations which give the maximum levy permitted in terms of dollars.

5. Limitations which fix the ratio between revenues from general property taxes and revenues from other sources.

6. Bonded indebtedness limitations.¹

He lists the three chief arguments for tax limitation as advanced by proponents:

1. To secure more complete assessment of intangible property.

2. To force a broadening of the tax base.

3. To compel the reduction in public expenditures.²

Amy³ describes three "schools of thought" on tax limitations, and classifies them as:

1. Owners of real property, who want rigid limits placed on the property tax.

2. Public officials, civil service employees, with particular reference to teachers, who do not want rigid limits on the property tax.

3. Small groups who hold to a middle ground.

Amy expresses himself as opposed to statutory limitations which restrict the limit to levy for long term debts. He says further, "Tax limitations should be considered as a means toward economy in government as well as a medium for relief for property owners."⁴

Two prominent authorities give their reason for tax limits and their opinions of over-all limitation:

The taxpayer has struck. He proposes to set a limit upon the amount of taxes he can be compelled to pay. He intends to write a limit into the constitution. . . .

¹Walter C. Thiel, "Tax Limitations," The Tax Magazine, XVI, No. 1 (January, 1938), 16.

²Ibid., p. 22.

³Henry J. Amy, "Tax Relief for Real Estate," National Municipal Review, January, 1939, p. 36.

⁴Ibid.

The form of tax limitation which appears to constitute a political and economic issue of present importance is the limitation of the tax on real estate. The reason is plain; the rate of almost all other taxes is fixed by the legislature, while the tax on real estate is relied on to make up the difference between the local expenditures of the state and municipalities and the receipts from the fixed levies.

The so-called over-all or flat rate limitation is therefore not a practical measure. It is one of those familiar attempts to remedy a difficult and delicate situation with a bludgeon. . . .

The best form of tax limitation is an intelligent and aroused electorate.

Although proponents of tax limitation were not blind to the fact that a reduction in real estate taxes would necessitate new forms of taxes which might conceivably be even more burdensome for the public as a whole, there seemed to be a tendency to not stress this side of the question when arguing for tax relief. The strategy of the real estate group, according to Sowers, is explained by Adam Schantz, III, Dayton, Ohio, Chairman of the National Committee on State and Local Taxation of the National Association of Real Estate Boards:

I attribute much of our success in Ohio in attaining the one per cent limitation amendment to an unusual and widespread public support by "butchers, bakers, and candlestick makers." We religiously avoided even peeping the words "Sales Tax," "Income Tax," and "Other Taxes."

Attempt after attempt was made by a certain group opposed to our limitation amendment to get us to come out specifically and state where replacement taxes should fall. They knew that would be our "Achilles' Heel" and they were out to strike us in a weak and vulnerable spot.

I will agree that this (tax limitation) is not the enlightened way to look upon the problem of solving our taxation mess.²

In an article in which he discussed the future of the property tax, Nichols lists seven of its merits, but says, "In recent years, and especially since the depression, these merits have largely melted away."³ He says further:

My conclusion therefore is that if stability can be given to valuations and real estate can be relieved from bearing an

¹Charles M. Rogerson and Philip Nichols, "Tax Limitation," Bulletin of National Tax Association, XXII, No. 2 (November, 1936), 57.

²Letter from Adam Schantz, III, quoted by Sowers, op. cit., p. 7.

³Philip Nichols, "The Future of the Property Tax," Bulletin of National Tax Association, XXI, No. 6 (March, 1936), 162.

excessive share of the tax burden at all times, and from bearing the whole burden of every increase in the public requirements, the property tax will continue to play an important part in our fiscal systems.¹

It is evident from his discussion, that Nichols favors placing a limit on the amount of tax which can be levied upon property.

Indicating that over-all property tax limitation is still a live issue, Bowen says:

The movement for constitutional tax rate limitations, though somewhat abated, is by no means dead. The issue is live, not only in each of the forty states which have not yet enacted tax limiting legislation, but also in the eight states which have such laws.²

In 1934 and 1935, as reported by Hillhouse and Welch,³ victories were won against proponents for over-all limitations in the legislatures of New Jersey, New York, and Illinois, while in Oregon (1934), in Colorado and Georgia (1936), proposals to establish limits on their property tax rates were defeated. In Michigan, a proposal to abolish entirely the tax on property was defeated in 1936.⁴

In the State of Washington, the people initiated a forty-mill limitation on property assessed legally at fifty per cent valuation. This is a statutory provision, and has been passed every two years since 1932. It is reported that such action is taken to forestall the possibility of making the limitation a constitutional amendment.

Two other important tax limitation measures were voted upon in 1940. One was in Alabama, where the voters defeated a proposed amendment which would have liberalized the limitation in that state by allowing certain cities to increase their tax rates up to one per cent of the value of the property. At present, the tax rate in Alabama is .5 per cent on 100 per cent valuation. This limitation, however, applies only to municipalities, and is not an over-all limit. The other measure was in Arizona, where a

¹Ibid.

²Howard R. Bowen, "Over-all Limitation of Property Tax Rates," Bulletin of National Tax Association, XXIV, No. 4 (January, 1939), 108.

³Hillhouse and Welch, op. cit., p. 2.

⁴John A. Zangerle, "Scrapping the Real Estate Tax," Municipal Finance, February, 1937, p. 3.

proposed tax limitation amendment to the constitution was defeated.

Between 1933, when New Mexico adopted an over-all limit, and 1940, no state has placed an over-all limit on its property tax rate.¹ It is significant, however, that no state having an over-all limit in 1933 has voted to abolish such limitation; nor has any state further reduced existing limitations. In 1935, a proposal to further reduce the constitutional limit in Ohio from ten mills to five mills was defeated.² The adoption of a constitutional limitation in Nevada in 1936 cannot be called a victory for over-all limitation, since it did not change the existing limit.

Whether the failure to adopt over-all limitations in recent years has been due to better business conditions, or to a more careful consideration of the proposals in the light of the experience of states having such limitations, it seems apparent that the movement is not so popular as it was for a few years during the depression.

¹"No Drastic Over-all Tax Limitations Adopted Since 1933," News Bulletin of Public Administration Clearing House, Chicago, Illinois, Release No. 2, December 31, 1940.

²Sowers, op. cit., p. 10.

CHAPTER III

OVER-ALL PROPERTY TAX LIMITATIONS IN SEVEN STATES

Introduction

A brief account of the over-all property tax limits in seven states--Indiana, New Mexico, Ohio, Oklahoma, Rhode Island, Washington, and West Virginia--is provided in this chapter. A discussion of the limitations in these seven states is divided, under the name of each state, into three major categories: a presentation of the essential features of the limitation, a description of the manner in which the limitation is administered, and some of the results of the limitation as reported by writers and government officials.

These seven states, together with Michigan and Nevada, comprise all of the states which at present are operating under over-all property tax limits. A description of the Michigan limitation, its administration, and its effects, will be presented in the following chapter.

The limit in Nevada (five per cent) is sufficiently high to make a detailed study of its effects appear unnecessary. Statutory since 1895,¹ it was made a constitutional provision in 1936, but the limit remained at five per cent.²

As evidence that the limit was sufficiently high as not to curtail efficient government, at least in the schools, Chisholm reports that, in 1928, Nevada was one of the wealthiest states in the nation, and that Nevada's current per capita expense for schools was \$143.55, second only to New York in the whole country.³

In a table giving the expenditures for operation and capital outlay for schools throughout the United States, Chisholm

¹Statutes of the State of Nevada, 1895, chap. 195, sec. 1, p. 340.

²Constitution of Nevada, Article 10, sec. 2.

³Leslie L. Chisholm, The Shifting of Federal Taxes and Its Implications for the Public Schools (Madison, Wisconsin: The Journal of Experimental Education, 1939), pp. 50-51.

lists the states in the order of their ability to support education by taxation. He names Nevada first, and New York second, and says:

Some may wonder whether or not the people of these two rich states, Nevada and New York, had made unusual sacrifices in order to raise the necessary money and provide their children the type of schooling provided. Table 2 indicates that such is not the case.¹

Although Hillhouse and Welch include Nevada in their discussion of over-all tax limitation laws in nine states, they say: "The over-all limit in Nevada, although referred to occasionally in the course of this report, has not been given special study inasmuch as it is so high (5 per cent) as to have had little or no effect throughout the major portion of the state."²

A word of explanation in regard to the Illinois limitation may well be inserted here, since that state is mentioned earlier as having had an over-all limit since 1901. However, Illinois is not one of the nine states listed by Hillhouse and Welch, nor does it receive detailed attention in this study.

The Illinois limitation, enacted in 1901, was known as the Juul law.³ It placed a five per cent limit on the aggregate of all taxes levied upon a legal valuation or property assessed at one-fifth of its true value.⁴ This, in theory, is just as drastic a limitation as one imposed in Ohio (one per cent). It is reported, however, that the Juul law was amended so frequently, and so many exceptions were made to it, that it has been of little consequence as an over-all tax limitation.

Stockwell makes the following observations concerning the Illinois law:

There have been amendments in the Juul law in the legislative sessions of 1905, '09, '12 (First Special Session), '13, '15, '17, '19, '21, '23, '25, '27, '28 (First Special Session), '29, '30 (First Special Session), '31, and '33. The framework of the original law has remained substantially the same, but its substantive provisions have been so altered that the law is now a jumbled mass of exceptions.

¹Ibid., p. 51.

²Hillhouse and Welch, op. cit., p. 2.

³Illinois State Laws, 1901, p. 272.

⁴Ibid., sec. 2.

⁵Harland C. Stockwell, "How Tax Limits Have Operated in Illinois," Property Tax Limitation Laws (Chicago: Public Administration Service, 1936), Publication No. 36, p. 49.

TABLE 1

OVER-ALL TAX LIMITATION LAWS IN NINE STATES
AS OF JANUARY 1, 1937^a

State	Year First Adopted	Citation to Present Law	Constitutional or Statutory?	Basic Rates
Indiana	1932	Acts, 1933, ch. 237 (Note: Amended 1937, ch. 119, to allow 2% in towns and 1.25 % outside.)	S	1.5% in incorporated cities and towns; 15 outside
Michigan	1932	Const., Art. X, sec 21(1932); Pub. Acts, 1933, No. 62; 1934, No. 30; 262 Mich. 338, 699	C	2%
Nevada	1895	Const., Art. X, sec. 2 (1936); Comp. Laws 1929, sec. 6524	C	5%
New Mexico	1933	Const., Art. VII, sec. 2 (1933); Comp. Laws, 1929, sec. 141-507 (3)	C	2%
Ohio	1911	Const., Art. XII, sec. 2 (1933); Laws, 1934 (3rd Sp.), H.B.	C	1%
Oklahoma	1907	Const., Art. X, sec. 9 (1933)	C	1.7%
Rhode Island	1878	Acts, 1933, ch. 2028	S	2.5%
Washington	1932	Init. Meas., 1936, No. 114	S	4% on 50% statutory assessment level
West Virginia	1932	Const., Art. X, sec. 1 (1932); Laws, 1933 (2nd Sp.), H.B. No. 234	C	0.5% to 2% according to four classes of property ¹

TABLE 1--Continued

Allocation of Basic Rates Among Tax Districts			
State	County	Town or City	Other Districts
0.15%	As fixed by county board of tax adjustment, with appeal to state board of tax commissioners		
None	As fixed by county tax allocation board, with appeal to the state tax commission		
—			
1.0%	As fixed by the tax commission of the state		
None	As fixed by county budget commission, with appeal to state tax commission		
None	As fixed by county excise board (0.2% of the total basic rate of 1.7% is available only to counties for separate schools for whites and negroes.)		
None	None	All	None
0.2%	1.0%	1.5%	School Districts, 1%; road districts, 0.3%
0.3% to 0.9% ^g	0.1565% to 0.625% ^g	0% to 0.5% ^g	School Districts, 0.1885 to 0.785% ^g

TABLE 1--Continued

State	Additional Rates Requiring No Special Authorization	Tax Districts Not Subject to Limit
Indiana	Rates necessary for service of debts outstanding August 8, 1932, and for judgments	None
Michigan	Rate necessary for service of debts outstanding December 8, 1932	Cities and villages subject to different over-all rate limit by charter provisions ^b
Nevada	None	None
New Mexico	Rate necessary for service of any debts; special levies on specified classes of property	None
Ohio	Rate necessary for service of debts issued or authorized prior to Jan. 1, 1934, provided they were issued or authorized outside the former 1.5% limit	Incorporated municipalities subject to different over-all rate limits by charter ^c
Oklahoma	Rate necessary for service of debts outstanding on August 15, 1933, within such limits as existed prior to said date ^d	None
Rhode Island	Rate necessary for service of any debts	Special districts
Washington	Rate required for service of specified debts ^e	Port districts; special tax districts not coterminous with a county other than road and school distr.
West Virginia	Excess of rates required for service of indebtedness outstanding on November 8, 1932 over 30% of basic rates (Tax commissioner's approval required. ^h)	None

TABLE 1--Continued

Additional Rates Requiring Special Authorization		
Amount	Authorizing Agency	Number of Years Authorized
Unlimited for emergency purposes of local government	5/7 of members of county board of tax adjustment	1
3.5	2/3 of electorate voting on proposition	Not more than 5
None	None	None
Unlimited, provided enabling legislation is passed	Majority of electorate voting on provision	Not specified
Unlimited, except for statutory limits for special expenditures	For current school expenses and certain debt service, majority of electorate voting on proposition; for other purposes, 65%	Not more than 5, except in case of debt service, not more than life of indebtedness
1% for school purposes	Majority of electorate casting ballots	Not specified
Unlimited	State budget director upon petition of town or city council	1
Unlimited for counties and other local districts	60% of those voting on proposition, provided at least 40% as many vote as voted for governor at last election	1
50% of basic rates	2/3 of qualified electorate	Not more than 3

Footnotes to Table 1.

^aHillhouse and Welch, op. cit., p. 39.

^bCities which have voted to adopt the state-wide over-all limit are: Battle Creek, Belding, Flint, Grand Rapids, Ionia, Jackson, Muskegon, Muskegon Heights, North Muskegon, Pontiac, and Saginaw.

^cAkron and Cincinnati not subject to state-wide limit.

^dTax rate limits existing prior to the 1933 amendment were: State, 0.35 per cent; county, 0.8 per cent; township, 0.5 per cent; city or town, 1.0 per cent; school district, 0.5 per cent; total 3.15 per cent. Additional rates were permitted for schools (1.0 per cent) and for public buildings (0.5 per cent).

^eAn additional rate, not to exceed five mills or the amount necessary to prevent impairment of contracts, whichever is larger, may be imposed for service of general obligation bonds outstanding on December 3, 1936. An additional rate of unlimited amount may be imposed by any district other than the state for service at the rate provided by statute of any warrants outstanding on December 8, 1932.

^fRates vary with type of property and its location as follows: Class I--Intangible property and personal property used in agriculture, 0.5 per cent; Class II--Homesteads and tenant operated farms, 1.0 per cent; Class III--Other property outside municipalities, 1.5 per cent; Class IV--Other property within municipalities, 2.0 per cent.

^gWith the approval of the tax commissioner, any tax district not requiring the full amount of the rates available to it for payment of contractual indebtedness outstanding on November 8, 1932 (state, 0.02 per cent to 0.08 per cent; counties, 0.0625 per cent to 0.25 per cent; school districts, 0.03 per cent to 0.12 per cent; municipalities, 0.0375 per cent to 0.15 per cent) is to extend such excess to the next smaller tax district within its boundaries to be used solely for the payment of contractual indebtedness outstanding on November 8, 1932. If such requirements of all lesser tax districts of the same class are so met, any excess is then extended to the next larger tax district and used by it in the same manner as if originally available to it for payment of contractual indebtedness outstanding on November 8, 1932. If, in passing on an excess, two or more tax districts are within the class entitled to receive it, the tax commissioner may apportion it among them.

^hThis additional levy requires approval of tax commissioner. Additional levies are made in the following ratios: Class I, 1 per cent; Class II, 2 per cent; Classes III and IV, 4 per cent.

While the purpose of the law, according to Stockwell, was to keep down the costs of government and protect the property owner from burdensome taxes, the effect has been to increase legislative and administrative confusion, and to encourage unsound budget procedures. He says, "The Juul Law, as a live factor in taxation, is now extinct."¹

The table prepared by Hillhouse and Welch on over-all tax limitation laws in nine states² is presented here as Table 1, and furnishes the following important information: The year in which the limitation was first adopted, the citation to the present law, whether the limitation is constitutional or statutory, the basic rates allowed and how they are allocated, what additional rates may be levied without special authorization, which taxing districts are not subject to the limit, and the conditions governing the levying of additional rates requiring special authorization.

To clarify the term, "Basic rates," as used in the table, the authors explain:

All over-all limits have been expressed as percentages. A 2 per cent rate means that tax levies of the state and all local units cannot exceed two per cent of the assessed valuation. This ratio is often expressed as 20 mills per dollar of assessed valuation, \$2 per \$100 assessed valuation, or \$20 per \$1000 assessed valuation.³

More detailed information concerning the limits in each of these states, with the exception of Michigan and Nevada as explained earlier, is presented in this chapter under the name of the state.

Indiana

The Limitation

Experience with an over-all tax rate limit in Indiana began when the General Assembly, meeting in special session in 1932, enacted a statute providing for an over-all limit of fifteen mills

¹Ibid., p. 50.

²Hillhouse and Welch, op. cit., pp. 38-39.

³Ibid., p. 3.

within any municipal corporation. A portion of this original act, defining the limitation and the term, "municipal corporation," follows:

Section 1. Be it enacted by the general assembly of the State of Indiana, That the total of all tax levies whether fixed by the state board of tax commissioners or by statute from which any revenue shall accrue or be paid to the state treasury for any purpose or for the use of any fund kept or received by the treasurer of the state, for the year 1932, upon which taxes are payable in the year 1933 and for each year thereafter shall not exceed the sum of fifteen cents upon each one hundred dollars of taxable property within said state.

Section 2. The term "municipal corporation," as used herein shall include counties, townships, school townships, cities, school cities, towns, school towns, school districts, sanitary districts, park districts and all taxing units within the state.

Section 3. That the total of all tax levies on property within any municipal corporation for all municipal corporations for which the property therein is taxable shall not exceed the total rate of one dollar and fifty cents on each one hundred dollars of taxable property therein, except as hereinafter provided.¹

At the regular session of the general assembly in 1933, Section 3 of the original act passed in 1932 was amended to read as follows:

Section 3. The total of all tax levies on property within any municipal corporation for all municipal corporations for which the property therein is taxable, except as provided in Section 4 of this act, shall not exceed the following total rates:

In territory outside of the corporate limits of incorporated cities and towns the total tax rate for all purposes, including the state levy referred to in Section 1 of this act, shall not exceed one dollar on each one hundred dollars of taxable property therein.

In territory inside the corporate limits of incorporated cities and towns the total tax rate for all purposes, including the state levy referred to in Section 1 of this act, shall not exceed one dollar and fifty cents on each one hundred dollars of taxable property therein.²

The original act made provision for declaring emergencies by county tax adjustment boards and gave to these boards the authority, without appeal, to increase the total rate in excess of the limit. This power is defined in the following quotation:

¹Laws of the State of Indiana, 1932, chap. 10, sections 1, 2, and 3.

²Ibid., 1933, chap. 237, sec. 3.

Sec. 4. . . . Provided, however, That if such board by a vote of at least five members thereof shall determine that an emergency exists for a total levy in excess of said rate of one dollar and fifty cents, including said state tax levy, upon the property in any municipal corporation for all municipal corporations for which the property therein is taxable, then such board shall have the power to fix such a tax levy therein and apportion the same among the different municipal corporations for which the property in such taxing district is taxable as is necessary to meet such emergency, though the total rate so fixed shall exceed the rate of one dollar and fifty cents on each one hundred dollars.¹

In 1937, the legislature amended section 3 of the 1933 act to read as follows:

Sec. 3. The total of all tax rates on property within any municipal corporation for all municipal corporations for which the property therein is taxable, except as hereinafter provided, shall not exceed the following total rates:

In territory outside of the corporate limits of incorporated cities and towns, the total tax rate for all purposes, including the state rate referred to in section 1 of this act, and including the township levy and rate for poor relief, shall not exceed one dollar and twenty-five cents on each one hundred dollars of taxable property therein.

In territory inside the corporate limits of incorporated cities and towns, the total tax rate for all purposes, including the state rate referred to in section 1 of this act, and including the township levy and rate for poor relief, shall not exceed two dollars (\$2.00) on each one hundred dollars of taxable property therein.²

The act as passed at the special session of the legislature in 1932 provided an over-all tax rate limit on property within municipal corporations as defined in section 2 of the act quoted on the preceding page of this chapter.³ Under this definition, a municipal corporation includes all the taxing units in the state.⁴ The act was revised by the 1933 legislature to specify different maximum tax rates for property outside the corporate limits of incorporated cities and towns and that within the corporate limits of incorporated cities and towns. The limit on the tax rate in rural sections was placed at ten mills and the limit on the tax rate within corporate limits of cities and towns

¹Ibid., 1932, chap. 10, sec. 4.

²Ibid., 1937, chap. 119, sec. 3.

³Ibid., 1932, chap. 10, sec. 3.

⁴Ibid., 1932, chap. 10, sec. 2.

was placed at fifteen mills.¹ These limits included the state tax rate on property. The statute was further amended in 1937 to raise the limit of the tax rate on property outside the corporate limits of incorporated cities and towns to twelve and one-half mills, and the limit of the tax rate on property within the corporate limits of incorporated cities and towns to twenty mills.² These limits are still in effect in 1942.

The original limit included both operation and debt service rates for all units. It was very quickly discovered, however, that certain changes in the limitation were necessary. The legislature in 1933 amended the act to permit that levies may be made in excess of the limit for the purpose of paying debt service charges.³ The statute now in force provides five exceptions to the tax rate limit, defined in the following section, but does not permit the declaring of emergencies except for these five purposes:

Sec. 6. Neither the total rates fixed in section 3 of this act nor any other provisions of this act shall apply to levies or rates required by municipal corporations for any of the following purposes: (a) To meet the principal and interest upon any funding, refunding or judgment funding obligations of any municipal corporation; (b) to meet the interest or principal upon any outstanding obligations of any municipal corporation or of any judgment taken against any municipal corporation; (c) to meet the interest and principal upon any obligations issued by any municipal corporation to meet an emergency growing out of a flood, fire, pestilence, war or other major disaster; (d) to meet the interest and principal upon any other obligations hereafter issued which in their issuance have been petitioned for and issued in accordance with the provisions of this act; (e) to meet the requirements of the county welfare fund for public welfare services. In complying with provisions of this act, the levies or rates referred to in this section shall be excluded from consideration by the county board of tax adjustment, the county auditor, and the state board of tax commissioners, except to determine that said levies and rates do not exceed the amount actually necessary for said purposes. The levies and rates referred to in this section shall be added to and become a part of the levy and rate finally fixed for each municipal corporation.⁴

The tax limitation law of Indiana not only includes over-all taxes levied on real estate and personal property within a

¹Ibid., 1933, chap. 237, sec. 3.

²Ibid., 1937, chap. 119, sec. 3.

³Ibid., 1933, chap. 237, sec. 6.

⁴Ibid., 1937, chap. 119, sec. 6.

local governmental unit, but there is no legal apportionment of the tax rate among the local units of government. For instance, the tax rate which may be levied in cities and towns covers the state tax, the county tax, the township tax, the civil city tax, and the city school tax, with no minimum rate fixed for any single unit. It is not difficult to understand that it would be possible for one of the local governmental units to be sadly neglected under this plan. Most of the states having over-all tax limits provide that each of the local units of government shall receive at least a certain minimum tax rate for the operation of government within that particular unit. One of the state officials of Indiana reports that the principal objection to the Indiana law is this lack of legal apportionment of the tax rates, but presents two features of the system which he thinks may prevent discrimination against any particular unit of government, especially the schools:

1. The appeal which is permitted by any local unit of government to the state board of tax commissioners for a levy which totals more than the limitation.

2. The state School Relief or Equalization Law which assures every school child a standard program of at least eight months. If the local corporation is unable to provide the minimum standard program with a five mill levy plus additional revenue received from the state, the state will assume any deficit which may accrue if the schools are operated according to the approved expenditures.¹

The Equalization Law referred to by Bosse evidently does not guarantee a five mill levy to school districts within the over-all limit. It does, however, place a minimum on the rate which a school district can levy and still receive money from the equalization fund, and thereby brings pressure on the County Board of Tax Adjustments to allow schools that amount of the total rate levied under the limit. Many school districts in the state, especially in rural areas, will be able to operate for a minimum term on a rate of two to four mills, without state aid. A very similar situation exists in Michigan, where school districts can now receive no state aid unless they levy four mills, which in that state happens to be the minimum rate which the county tax commission can allocate to a district that shows a need of four

¹Letter from J. Wm. Bosse, Fiscal Officer, Department of Education, Indianapolis, Indiana, August 5, 1940.

mills. From 1933 to 1941, the minimum rate for participation in state aid in Michigan was three mills. There was considerable talk in 1941 of making the millage to participate in state aid in Michigan five mills, but this was not written into the law. The State Board of Education in Indiana recently raised the millage for participation in the Equalization Fund to seven and one-half, effective August 1, 1942.¹

Administration of the Limitation

The Indiana limitation is administered in each of the ninety-two counties by a county board of tax adjustment. As created by the General Assembly in 1932, these boards consisted of the county auditor, three members of the county council, to be selected by such council, and three members to be appointed by the judges of the circuit court of such county:

Sec. 4. There shall be created in each county of the State of Indiana, a county board of tax adjustment to consist of the county auditor, three members of the county council, to be selected by such council, and three members to be appointed by the judges of the circuit court of such county, such members other than the auditor, to serve for one year from the date of their selection, which shall be made on or before the first day of September in each year Such board shall have the power to, and it shall be its duty to revise, and if necessary reduce, the tax levy of any and for all of such municipal corporations so that the total levy on property within any municipal corporation for all municipal corporations for which the property therein is taxable, including said state (tax) levy, shall not exceed the total of one dollar and fifty cents for all such corporations. . . .2

In 1933, the General Assembly changed the composition of the county board of tax adjustment. Whereas the original act had provided for the membership to consist of seven members as outlined in the previous paragraph, the statute as amended in 1933 provided that the board be composed of seven members, as before, but that one representative from each of the four major local units of government and three other persons appointed by the circuit court judge comprise the membership.³ In 1937, this section

¹Report received from State Department of Education, Indianapolis, Indiana, April, 1942. (Compiled by Raymond Gladden, Statistical Officer.)

²Laws of the State of Indiana, 1932, chap. 10, sec. 4.

³Ibid., 1933, chap. 237, sec. 4.

of the law was again revised, and at present the statute provides for a seven member board composed of: one member of the county council, and chosen by said council; the mayor of the largest city in the county or any public official appointed by the mayor, or in case there is no incorporated city in the county, a member of the board of trustees of the largest incorporated town located in the county and appointed by said board; one member from the board of school trustees of the largest city located in the county, or in case there is no first or second class city in the county, such member shall be a member of the county board of education and shall be selected by such board; and four members at large chosen by the judge of the circuit court of said county, in counties having a circuit court and a superior court, two of the four members are chosen by each court; in any county having a circuit court and two or more superior courts, the four members are selected and appointed by a majority vote of the judges of the said circuit court and all of the superior courts of the county. The appointments to be made by the judges of the several courts as herein provided shall be so made that not more than four of the seven members of such adjustment board shall be members of the same political party.¹

These tax adjustment boards originally had the authority to review all budgets submitted to them and could not only reduce the total amount of each of the budgets, but also had the authority to reduce specific items of the budgets.² The present statute has changed this authority. Referring to this power, the statute reads, "Said board (county tax adjustment) shall not revise, change, or reduce the detailed items included in such budgeted classifications."³

Since the statute does not allocate any of the tax to specific units of government, the county board of tax adjustment has the authority and obligation to allocate all tax rates among the units of government.⁴ The county board does not, however,

¹Ibid., 1937, chap. 119, sec. 4.

²Ibid., 1932, chap. 10, sec. 4.

³Ibid., 1937, chap. 119, sec. 5.

⁴Ibid., 1932, chap. 10, sec. 4.

have the authority to reduce specific tax levies made by local officers for the purpose of providing funds for the payment of obligations or for refunding bonds issued to pay obligations incurred prior to August 8, 1932, since this levy is outside the over-all limit.¹

A noted authority on taxation in the state of Indiana has the following to say concerning the power originally granted to the county boards of tax adjustment:

The power to limit the tax rate is no more important than the power of the boards to revise, change, and reduce specific items of appropriation for any unit. In its review of budgets, a board may, for example, decrease the amount allowed for salaries in any city department, or the amount allowed for food in any county institution. It must, however, make no reduction in the debt requirements, provided such requirements are found to be for bonds issued prior to August 8, 1932, or for refunding bonds, and further provided that such requirements are found to be exact.²

Another unusual power given these county tax adjustment boards was the authority to declare emergencies and to provide, in such cases, for a total levy in excess of the limit.³

The statute now in force removed from the county tax adjustment board the final authority to change or revise allocations, and to raise the aggregate. Such board must now submit the necessary evidence to the state board of tax commissioners:

Sec. 5. . . . Provided, however, That if said board shall, as a result of its analysis and review of the budget or budgets of any municipal corporation or corporations, come to the conclusion that the rate of taxation as limited by the provisions of this act is inadequate or that there be reasonable necessity for an increase of the aggregate rate, then, in that event, the tax adjustment board shall submit in writing such recommendations, including an analysis of the total aggregate rate and such other data as in its discretion will transmit to the state board of tax commissioners all the necessary facts and circumstances under which, in its opinion, the final aggregate rate should be broken down and distributed to the separate and several corporations, and such recommendations shall be filed in duplicate in the office of the county auditor, one copy of which shall be immediately forwarded to the state board of tax commissioners and all other data shall be preserved in the office of the county auditor for the use of all

¹Ibid., 1933, chap. 237, sec. 6.

²Virgil Sheppard, "Indiana Tax Limitation," Property Tax Limitation Laws (Chicago: Public Administration Service, 1936), Publication No. 36, p. 51.

³Laws of the State of Indiana, 1932, chap. 10, sec. 4.

parties. The state board of tax commissioners shall then proceed according to the provisions outlined in this act governing appeals.¹

The state board of tax commissioners may revise, change, or increase any levy and rate as petitioned for, "but only within the limit of the levy and rate originally fixed by such municipal corporations."²

That these county boards of tax adjustment were expected to be a dominant factor in state financing is shown by Paige in the following statement:

In the opinions of many observers in the state, the creation of these boards is one of the most important and desirable results of the tax-limit law, and over a period of years it is expected that they will do a great deal to eliminate unnecessary items of expenditure and to point out and cause the elimination of certain useless governmental units through the consolidation and elimination of overlapping agencies.³

Another authority on taxation in the state of Indiana refers to the importance of county tax adjustment boards in the following words:

With so many overlapping units of government--the county, school district, civil city, park district, sanitary district, township (five in case of Indianapolis)--the tax adjustment board has served a real need in Indiana. Figures are not available to show how much they have saved Indiana taxpayers, but the amount is in hundreds of thousands of dollars.⁴

The Indiana statute provides that any ten taxpayers in any municipal corporation, other than those who pay poll tax only, may appeal the action of the county tax adjustment board to the state board of tax commissioners.⁵ The right of appeal for an increase of the tax levy and rate fixed by the county tax adjustment board is granted to any local governmental unit. Such increase, however, must be within the limits of the tax levy as originally fixed by such municipal corporation.⁶

¹Ibid., 1937, chap. 119, sec. 5.

²Ibid., 1937, chap. 119, sec. 8.

³Robert Myron Paige, "Indiana Tax Limitations," Property Tax Limitation Laws (Chicago: Public Administration Service, 1934), Publication No. 36, p. 50.

⁴Sheppard, op. cit., p. 52.

⁵Laws of the State of Indiana, 1937, chap. 119, sec. 8.

⁶Ibid.

Prior to 1935, a local governmental unit could pass supplemental appropriations after the county board or state board had approved the appropriation, thus offsetting in part any reduction which may have been made in the tax rate. Such supplemental appropriations created deficits in the governmental unit for which they were allowed, and were met by payment of delinquent taxes. In 1935, the General Assembly amended the statute to provide that all supplementary appropriations must be approved by the state board of tax commissioners without the formality of an appeal.¹ This action took from the local governmental unit the authority to pass supplemental appropriations after the county board or state board had approved the original appropriation and allocated the rate therefor. The 1937 law did not provide for supplemental appropriations, but rates in excess of the limit, according to the five exceptions mentioned, are still permissible.²

Results of the Limitation

The proponents of the tax limit law in Indiana had in mind, not so much a reduction in governmental expenditures, except unnecessary and overlapping ones, as the replacement of a part of the property taxes with new sources of revenue. Regardless of the reasons behind the tax limitation, the property tax has been greatly reduced and the tax base considerably broadened. As early as 1936, when the limitation had been in effect only three full years, Sheppard³ reports that property taxes in the state were \$49,000,000 less than in 1932, which was a reduction of about thirty per cent, but he reports that the gross income, intangibles and liquor excise taxes produced approximately \$20,000,000, leaving a net reduction of \$29,000,000.

In regard to the reduction in the amounts received from the property tax, Sowers reports that the total valuation of property in the state declined proportionately, and that the percentage reduction in revenue from this source in Indiana was about the same as in other states which did not have limitations on their total tax rates. He states:

¹Ibid., 1935, chap. 150, sec. 1.

²Ibid., 1937, chap. 119, sec. 6.

³Sheppard, op. cit., p. 53.

It is doubtful if the one and one-half per cent tax limit law had any material effect on governmental retrenchment in Indiana, as it seems perfectly clear that the real cause of the reduction of forty million dollars in property taxes (from 1932 to 1934) has been the reduction in valuation due to the depression.¹

In the years immediately following the adoption of the over-all limitation in 1932, the county tax adjustment boards were able to declare emergencies and allow levies in excess of the limitation. This prevented what otherwise might have been serious reductions in governmental services. Sheppard says:

Indiana county tax adjustment boards define an "emergency" as any situation which calls for the expenditure of public funds for any lawful purpose. It is this definition that prevents Indiana from having a rigid property tax limit.²

These county tax adjustment boards can no longer declare emergencies, but may, if they deem that the tax rate as limited by law is insufficient to meet the requirements of the combined budgets, recommend in writing that the rate be increased, and submit such recommendation to the state board of tax commissioners.³ Neither the county boards nor the state board, however, have the power to increase the rate for any governmental unit above the amount requested by that unit.

Tax limitation in Indiana has resulted in a broadening of the tax base and in the adoption of new taxes. The most important of these new taxes are the gross income and intangibles tax, and the tax on alcoholic beverages.

During the year 1933, the additional tax sources produced \$10,608,338 for schools, which was twenty-five per cent of the total school operating cost for the current school year.⁴

Prior to 1933, the state government had provided an amount for public schools which did not exceed ten per cent of the total costs, but in 1933-34, 36.09 per cent of the total school revenues came from the state.⁵ A tax of five cents per gallon on alcoholic

¹Sowers, op. cit., p. 22.

²Sheppard, op. cit., p. 51.

³Laws of the State of Indiana, 1937, chap. 119, sec. 5.

⁴"State Support of Public Schools in Indiana," School Finance Systems, Series 1, Research Division, National Education Association, November, 1934.

⁵Ibid.

malt beverages, three cents per gallon on malt extract and malt syrup, and fifty cents per gallon on the sale of alcoholic vinous beverages produced \$1,762,588 in that year, and was one of the new taxes collected by the state to be distributed to schools.

An intangibles tax of one-quarter of one per cent on all intangibles, such as stocks, bonds, and mortgages, was another new tax imposed in 1933, 67 per cent of which went to the schools. These two new sources of revenue provided about two and one-half million dollars for schools in 1933-34.

The School Relief Fund in Indiana is derived from a levy of a .7 of one mill on all real and personal property of the state plus a poll tax of fifty cents.¹ These are state taxes, which are distributed to schools on an equalization basis to those school districts which cannot, on a six and one-half mill tax levied locally plus other state aid, maintain a school for a minimum of eight months according to adopted standards. (As explained earlier, the minimum local rate which had been necessary, prior to 1942, for a district to levy and be eligible to receive aid from the equalization fund was five mills. The new requirement is a local levy of seven and one-half mills, six and one-half of which are deducted before further aid is distributed from this fund.)²

A gross income tax was enacted in 1933, imposing a one per cent rate on gross personal income in excess of \$1,000 and the following rates on all sales: one-fourth of one per cent on wholesale and one per cent on retail and all other sales. This revenue is credited to the State General Fund. Over \$8,000,000 was appropriated to schools from this fund in 1933-34.³

From the State General Fund, Indiana undertook to guarantee a sum not to exceed six hundred dollars per teaching unit to the school districts. A teaching unit in grades one to eight consists of one teacher to every thirty-five pupils in average daily attendance, and in grades nine to twelve, one teacher to every twenty-five pupils in average daily attendance.⁴ This act

¹Laws of the State of Indiana, 1933, chap. 167.

²Report received from State Department of Education, Indianapolis, Indiana, April, 1942. (Compiled by Raymond Gladden, Statistical Officer.)

³"State Support of Public Schools in Indiana," School Finance Systems, Series 1, Research Division, National Education Association, November, 1934.

⁴Laws of the State of Indiana, 1933, chap. 96.

was amended in 1937 to provide seven hundred dollars for each teaching unit.¹

A report on the results of tax limitation over the last ten years was given by Holmes before the National Conference on Real Estate Taxation in April, 1940. Mr. Holmes reported for nine states. He shows that the total amount of property taxes in Indiana the year before the limitation became effective was \$140,000,000, and in 1936 the total tax on property was \$93,100,000, a reduction of 33-1/3 per cent.² His summarization of the results in the nine states is given at the end of this chapter.

New Mexico

The Limitation

The tax rate limit in New Mexico was adopted as a constitutional amendment by a vote of the electorate on September 19, 1933, and became effective immediately. During the years 1930, 1931, and 1932, the property tax had failed miserably as a source of revenue. Consequently, the legislature in 1933 passed a resolution to be voted on at the September election.³ The text of the constitutional amendment adopted by the electorate is as follows:

Sec. 2. Taxes levied upon real or personal property for State revenue shall not exceed four mills annually on each dollar of the assessed valuation thereof except for the support of the educational, penal and charitable institutions of the State, payment of the State debt and interest thereon; and the total annual tax levy upon such property for all State purposes exclusive of necessary levies for the State debt shall not exceed 10 mills: Provided, however, that taxes levied upon real or personal tangible property for all purposes, except special levies on specific classes of property and except necessary levies for public debt, shall not exceed twenty mills annually on each dollar of the assessed valuation thereof, but laws may be passed authorizing additional taxes to be levied outside of such limitation when approved by at least a majority of the electors of the tax district voting on such proposition.⁴

¹Ibid., 1937, chap. 194.

²Lawrence G. Holmes, report given at National Conference on Real Estate Taxation, Mayflower Hotel, Washington, D. C., April 25, 1940. Newspaper release.

³New Mexico Laws, 1933, p. 541.

⁴Constitution of New Mexico, article VIII, sec. 2.

This amendment limits the tax rate for all purposes, exclusive of special levies on specific classes of property and necessary levies for public debt, to twenty mills annually on each dollar of assessed valuation. Necessary levies for public debt are excluded from the limitation and additional levies outside the limitation may be made when authorized by a majority of the electors of any taxing district voting on the proposition.

New Mexico is one of the two states having over-all tax rate limits wherein the additional levies above the limitation as voted by the people do not run for a specified time. The other state is Oklahoma. There is likewise no minimum rate specified by law which must be levied for any local unit of government. This is left entirely to the state tax commission.

As in most states, New Mexico adopted the property tax limitation amendment before it provided for replacement revenue in the form of other taxes, which action indicates that economy in government and relief for the property tax were the main reasons for the property tax limit. It is unfair to assume that the legislatures in all the states had not considered other forms of taxation before adopting the limitations, for in all of them there was immediate action to replace the loss in the property tax by new taxes.

A director of the Taxpayers' Association in New Mexico has the following to say regarding this policy: "New Mexico had the foresight to put a limitation on its property tax before it passed any laws providing for additional revenue."¹ Mr. Asplund probably means that the property tax must be limited before a necessity arises for adopting other taxes. Otherwise, it is questionable whether one could describe the action by the term "foresight."

In addition to setting the over-all limit, the constitutional amendment established a maximum limit on the state tax rate for all state purposes, exclusive of necessary levies for the state debt, at ten mills.² However, the state tax commission in 1934-35 placed maximum limits on the tax rate for the state at five mills; the county, five mills; the schools, six mills; and

¹Letter from Rupert F. Asplund, Director of the Taxpayers' Association of New Mexico, Santa Fe, New Mexico, dated August 30, 1940.

²Constitution of New Mexico, article VIII, sec. 2.

on the rate for the municipalities, four mills.¹

Administration of the Limitation

The administration of the tax rates in New Mexico is handled by the state tax commission, which body establishes the rates which may be levied by the local governmental units within the limits established. The local units present proposed rates and budgets to the state tax commission, and have power to levy additional taxes for the purpose of paying principal and interest charges on local bonded debts, or for operating purposes when authorized by a majority of the electors voting on the proposition. The state tax commission has authority to levy taxes for the payment of the state debt and interest thereon in excess of the ten mill limit on the tax rate for state purposes. The commission has the power to examine local budgets and to revise them.²

Results of the Limitation

The average property tax rate under the limitation was reduced about one-third and the total loss in school revenue from the property tax in the state was approximately \$4,000,000.00.³ Mr. Asplund further reports:

Our gross receipts tax plus our income tax, which go to make up our school equalization fund, amount to more than the loss of revenue from the property tax and the fund is distributed to the schools every month. . . . The \$4,000,000 loss in revenue . . . was the loss from the peak production of the property tax. The loss in revenue just prior to the adoption of the limitation was probably about \$2,000,000, so that the schools doubled their revenue by reason of the substitution of the gross receipts and income taxes, which are distributed among the schools of the state.

As to municipalities, their loss in revenue, occasioned by the limitation of the property tax, was made up to some extent by sharing the proceeds of the motor vehicle drivers' licenses. They also were given authority to levy an occupational license of not to exceed \$1 for each \$1,000 of volume of business, and also to levy a gasoline tax of not to exceed one cent a gallon.⁴

¹Sowers, op. cit., p. 27.

²Ibid.

³Letter from Rupert P. Asplund, Director of the Tax-payers' Association of New Mexico, Santa Fe, New Mexico, dated August 30, 1940.

⁴Ibid.

Holmes reports a total income from the property tax in 1932 of \$2,000,000 and in 1936, a total of \$1,900,000, a decrease of only five per cent.¹

In the spring of 1934, the legislature of New Mexico, meeting in special session, adopted a gross receipts tax to assist in meeting the loss in revenue from the property tax.² This revenue proved to be a more secure source than was the property tax.³ Returns from the gross receipts tax plus those from the income tax,⁴ which go to make up the school equalization fund, provide more revenue than the schools had before the limitation became effective. The income tax was imposed by the legislature some months before the tax limitation amendment was adopted, and, although the same legislature initiated the tax limitation amendment, it hardly appears that the net income tax can be considered a replacement revenue.⁵ Whether or not it is so considered is of minor consequence, since it has yielded less than ten per cent of the revenue derived from the gross receipts tax.⁶

Other replacement revenues enacted by the legislature of New Mexico are: (1) an emergency school fund established from an excise tax on business, professions, trades and callings;⁷ and (2) a tax on liquor.⁸

The tax which has produced most revenue in New Mexico in the replacement of revenues lost from the limit established on the property tax, is the sales tax. It can, therefore, be said that the property tax limitation in New Mexico has resulted in a broadening of the tax base. It is questionable whether the

¹Lawrence G. Holmes, report given at National Conference on Real Estate Taxation, Washington, D. C., April 25, 1940. Newspaper release.

²Letter from Rupert F. Asplund, Director of the Taxpayers' Association of New Mexico, Santa Fe, New Mexico, August 30, 1940.

³Ibid.

⁴Laws of State of New Mexico, 1933, chap. 85.

⁵A. Miller Hillhouse and Ronald B. Welch, Tax Limits Appraised (Chicago: Public Administration Service, 1937), Publication No. 55, p. 22.

⁶Ibid.

⁷Laws of State of New Mexico, 1933, chap. 7, sec. 401.

⁸Ibid., chap. 159.

limitation has resulted in a reduction of the cost of local and state government. In a report made in June, 1936, the following statement is made concerning the limitation in New Mexico:

In view of the fact that the twenty mill limitation in New Mexico applies only to current operation and maintenance and all necessary levies for the payment of public debt are excluded from the limitation and the further fact that additional levies may be made outside the limitation by majority vote of the electors, the limitation has apparently not resulted in any serious impairment of governmental services.¹

Table 2 is inserted to show the distribution of the total tax levied on property in the State of New Mexico for a seven-year period, 1929 to 1935, inclusive.²

The information in Table 2 reveals that the assessed valuation in New Mexico dropped from \$309,900,000 in 1929 to \$292,200,000 in 1935. This drop represented a decrease in assessed valuation in the state of 5.7 per cent. During the same time, the total taxes levied dropped from \$11,439,000 to \$6,637,000, which was a decrease of 41.9 per cent.

Since a decrease in assessed valuation can probably be attributed to the depression, it can readily be seen that the effect of the property tax limit in New Mexico, as reflected in total taxes levied, is considerably greater than the effects of the depression.

Data in Table 2 reveal that the reduction in assessed valuation from 1929 to 1935 was 5.7 per cent, while the reduction in the total taxes levied during the same period was 43.0 per cent. The state taxes dropped from \$2,320,000 to \$1,628,000, which was a decrease of 29.8 per cent. During the same time, county taxes dropped 56.9 per cent, school district taxes dropped 5.9 per cent, and municipal taxes decreased 7.7 per cent.

New Mexico provides a state-wide one-half mill property tax levy which is allocated to the schools on the basis of average daily attendance. The business tax provides over 60 per cent of the state school revenue. Income from permanent school funds in New Mexico provides an unusually large proportion of the state support of schools as compared to other states. In 1935, this source provided 24.9 per cent. The oil severance tax produced 4.5 per cent of state support in 1935.

¹Sowers, op. cit., p. 28.

²Ibid., p. 29.

TABLE 2

ASSESSED VALUATION AND PROPERTY TAXES LEVIED BY THE
STATE OF NEW MEXICO AND SUBDIVISIONS FOR
THE SEVEN-YEAR PERIOD, 1929 TO 1935*

Year	Assessed Valuation in Millions	Total Taxes Levied in Thou- sands	State Taxes in Thou- sands	County Taxes in Thou- sands	School District Taxes in Thou- sands	Municipal Taxes in Thousands
1929...	\$309.9	\$11,439	\$2,320	\$6,799	\$1,402	\$ 818
1930...	332.3	11,536	1,893	7,177	1,505	961
1931...	331.8	12,197	1,868	7,898	1,381	1,050
1932...	315.1	10,818	1,713	7,036	1,155	914
1933...	285.6	9,945	1,678	6,337	1,136	794
1934...	291.9	7,761	1,689	4,007	1,220	845
1935...	292.2	6,637	1,628	2,934	1,319	755
Per cent Reduction 1929-1935	5.7	43.0	29.8	57.0	6.0	8.0

*Sowers, op. cit., p. 29.

In 1939 a revised equalization law was passed which distributes state aid to schools on the basis of classroom units by a definite formula. No county was to receive more than \$1,400 per classroom unit unless funds were sufficient to provide that amount for all counties in the state. The income tax was extended to include all the salaries of state, county, and municipal employees, and the income above \$500 from property of non-residents of the state. Sixty-seven and one-half per cent of the income tax is earmarked for the schools.¹

Ohio

The Limitation

The state of Ohio has had thirty years experience with a rather rigid limit on the property tax rate, and has provided abundant evidence of the effects of property tax limitation to financial authorities in other states.

A prominent authority on taxation divides the history of

¹State School Finance Legislation, 1939, compiled by Research Division, National Education Association, Washington, D. C., January, 1941.

tax limitation in Ohio into four periods:¹

Prior to 1911 the system resembled that commonly found throughout the country. The statutes imposed numerous restrictions on levies for specific purposes and types of governmental units, but the rates prescribed were so high as to have little practical effect on local levying power. In consequence, this period afforded no real test of the policy of tax limitation and need not be examined. The second period, running from 1911 to 1921, was the decade of the so-called Smith one-per-cent law.² In these years, Ohio governments were subjected to the most rigid tax limitation ever imposed by any commonwealth. The next decade, from 1922 to 1933, may be termed a period of flexible tax limitation, fifteen mills remaining the statutory maximum subject to the right of the local electorate to authorize additional levies.³ Then came the ten mill limitation and another period of financial distress.

In 1911 the legislature enacted the Smith one-per-cent law which provided the following rigid tax limitation on property:

Except as otherwise provided, the aggregate amount of taxes that may be levied on the taxable property in any county, township, city, village, school district or other taxing district, for the year 1911 and any year thereafter, including taxes levied under authority of section 5649-1 of the General Code, and levies for state, county, township, municipal, school and all other purposes, shall not in any one year exceed in the aggregate the total amount of taxes that were levied upon the taxable property therein of such county, township, city, village, school district, or other taxing district, for all purposes in the year 1910, provided, however, that the maximum rate of taxes that may be levied for all purposes, upon the taxable property therein, shall not in any one year exceed ten mills on each dollar of the tax valuation of the taxable property of such county, township, city, village, school district, or other taxing district for that year, and such levies in addition thereto for sinking fund and interest purposes as may be necessary to provide for any indebtedness heretofore incurred or any indebtedness that may hereafter be incurred by a vote of the people.⁴

This law definitely established a tax rate limitation on all governmental functions, exclusive of payments toward sinking funds and payments of interest on debts previously incurred and

¹R. C. Atkinson, "Stringent Tax Limitation and Its Effects in Ohio," Property Tax Limitation Laws (Chicago: Public Administration Service, 1936), Publication No. 36, revised, p. 69.

²Legislative Acts and Joint Resolutions, State of Ohio, 1911, Vol. C-11, sec. 5649-2, p. 268.

³Ibid., 1921, House Bill No. 34, sec. 1, p. 307.

⁴Ibid., 1911, Vol. C-11, sec. 5649-2, p. 268.

on those which might later be incurred by a vote of the people. It provided a maximum tax rate for counties of three mills; municipalities, five mills; townships, two mills; and schools, five mills.¹ It would appear by adding the different maximum rates allowed which may be allocated to the local units of government, that the total tax rate allowed is fifteen mills, but this is not the case, since the county and township rates are not levied within city boundaries. The only rates which may be levied within the cities or towns are the municipal rates and school rates. It will be noted that the maximum tax rate allowed for these two units is ten mills. Since school rates are levied on property outside municipalities, but municipal rates are not, the total rate which may be levied on property in the county or townships is obtained by adding the rates in the county, township, and school district. These amounts are exclusive of any special levies provided for by a vote of the electors, special assessments, levies for road taxes that may be worked out by the taxpayers, and levies and assessments in special districts created for road or ditch improvements, over which the budget commissioners shall have no control.

Between 1919 and 1925, the Smith law was altered by amendment into a flexible type of limitation. In 1919, school districts secured the right to submit extra levies for the approval of the electorate, and in 1920 and 1921, cities also gained this right. A majority of sixty per cent of those voting on the proposition was necessary for the passage of such legislation.² Following this relief from so rigid a limitation, it became customary to pass additional tax levies extending beyond the limit established by the Smith law. This practice became so common that by 1930 about three-fourths of the school districts in the state were voting extra levies. At that time the levy in the state was around twenty-two mills.³

In the year 1929, a fifteen mill limitation was written into the state constitution. This change had little immediate effect so far as the tax limit system was concerned, since the

¹Ibid., 1911, Vol. C-11, sec. 5649-3a, p. 270.

²Ibid., 1921, House Bill No. 34, sec. 1.

³Atkinson, op. cit., p. 72.

constitutional provision was based on the statutory limitation and retained the power to authorize extra levies by popular vote.¹

The proponents of relief from property taxes became alarmed at the rise in taxes, due to so many instances where extra levies were voted, and became militant for a more rigid tax rate limit. They convinced a great number of people that they could reduce their tax by fifty per cent and continue to receive the same governmental services.²

The movement to reduce property taxes grew to such proportions that a constitutional amendment cutting the tax limit from fifteen to ten mills was initiated by the farmers and real estate boards and presented to the electorate at the November election in 1933. The amendment passed by an immense majority, carrying every county.³ The full text of the 1933 amendment is quoted here:

Sec. 2. No property, taxed according to value, shall be so taxed in excess of one per cent of its true value in money for all state and local purposes, but laws may be passed authorizing additional taxes to be levied outside of such limitation, either when approved by at least a majority of the electors of the taxing district voting on such proposition, or when provided for by the charter of a municipal corporation. Land and improvements thereon shall be taxed by uniform rule according to value. All bonds outstanding on the 1st day of January, 1913, of the State of Ohio or of any city, village, hamlet, county or township in this State, or which have been issued in behalf of the public schools of Ohio and the means of instruction in connection therewith, which bonds were outstanding on the 1st day of January, 1913, and all bonds issued for the World War Compensation Fund, shall be exempt from taxation, and without limiting the general power, subject to the provisions of Article One of this Constitution to determine the subjects and methods of taxation or exemptions therefrom, general laws may be passed to exempt burying grounds, public school houses, houses used exclusively for public worship, institutions used exclusively for charitable purposes, and public property used exclusively for any public purpose, but all such laws shall be subject to alteration or repeal; and the value of all property so exempted shall, from time to time, be ascertained and published as may be directed by law.⁴

¹Ibid., p. 73.

²Earl Hagerman, "Tax Limitation in Ohio," Municipal Finance, November, 1934, p. 23.

³Atkinson, op. cit., p. 73.

⁴Constitution of Ohio, Article XII, sec. 2. (As amended November 7, 1933.)

The amendment, which became effective January 1, 1934, provides for an over-all tax rate limit, but makes it possible for the legislature to pass laws authorizing that additional taxes be levied outside the limitation when approved by at least a majority of the electors of any taxing district voting on the proposition, or when provided for by the charter of a municipal corporation.¹ Tax levies for the payment of principal and interest on bonds and sinking funds may not be levied outside the limit unless legislation is passed that such taxes may be levied, and the proposition approved by a sixty-five per cent majority of the electors voting on the proposition. To approve a levy outside of the limitation for current expenses, an affirmative vote of sixty-five per cent is required, except in school districts, where the requirement is a majority of the electors voting.² Such extra levy is effective for not more than five years, and in case of debt service, for not longer than the length of the debt.³ The limits do not apply to municipalities where the charters provide for a tax rate limit in excess of the limitation. (Akron and Cincinnati have such limitations.) Nor to service on debts issued or authorized prior to January 1, 1934, provided these were issued outside the fifteen mill limit in effect prior to January 1, 1934.⁴

Administration of the Limitation

The Smith one-per-cent law in Ohio established a budget commission⁵ in each county, composed of the county auditor, the county treasurer, and the prosecuting attorney. These county budget commissions continue to administer in the county the apportionment of the ten mill tax rate for operating purposes among the various functions of government.

The county budget commission is charged with the examination of the budgets of all local taxing districts and the

¹Ibid.

²Letter from Robert Rohe, Division of School Finance, State Department of Education, Columbus, Ohio, August 6, 1940.

³Hillhouse and Welch, op. cit., p. 39.

⁴Ibid.

⁵Legislative Acts and Joint Resolutions, State of Ohio, 1911, Vol. C-11, sec. 5649-3b, p. 271.

apportionment of the available millage among the various units of government. It has the authority to reduce budget requests, except those for debt service, in order to keep within the aggregate set by law.¹ The state tax commission annually reviews the rates as established by the county budget commissions to see that the law is observed.²

An appeal to the state tax commission may be made by the local units to enforce a fair distribution of the millage.

Results of the Limitation

Throughout the state of Ohio, the average tax rate on property one year after the limitation amendment of 1933 became effective had decreased from 22.42 mills to 18.79 mills.³ In a few instances the voters continued to authorize additional tax rates but this practice was not common after the limitation amendment of 1933. The voting of extra levies was the reason for the average tax rate being above the limit. For instance, a four mill levy was voted in Cleveland to save the city government from disaster. The heaviest reductions in the tax rates were made in school districts, since the schools received a large proportion of the replacement revenues provided by the state.

Municipalities operating under charters which contain specific tax rate limits are exempt from the constitutional limitation of 1933. Expenditures for the operation of municipal governments were greatly reduced under the fifteen mill limitation which existed prior to 1933. The cities had not been so successful as were the school districts in getting the electorate to vote extra millage. Hence, most of the large cities had a serious financial crisis during the later twenties and early thirties.

The reduction in taxes received by state and local governments due to the ten mill limitation was estimated at forty million dollars.⁴ The year before the property tax limitation became effective in Ohio, the local property tax supported eighty per cent of the operating costs of schools. During the school year

¹Ibid., sec. 5649-3c.

²Atkinson, op. cit., p. 69.

³Atkinson, op. cit., p. 73.

⁴Sowers, op. cit., p. 32.

1936-1937, 56.1 per cent came from the state, 43.3 per cent from local, and the remaining 0.6 per cent from federal sources.¹ Holmes reports that the total property tax for 1932-1933 was \$281,400,000 and in 1936 it was \$196,700,000, a reduction of thirty-two per cent.²

One of the steps taken in Ohio to replace revenue lost through the property tax limitation was the enactment by the legislature of a tax on retail sales. The text of this law is given here to indicate the various purposes claimed for it by the legislators:

For the purpose of providing revenue with which to meet the needs of the state for poor relief in the existing economic crisis, for the use of the general revenue fund of the state, for the purpose of securing a thorough and efficient system of common schools throughout the state, and for the purpose of affording revenues, in addition to those from general property taxes, permitted under constitutional limitation, and from other sources, for the support of local governmental functions, and for the purpose of reimbursing the state for the expense of administering this act, an excise tax is hereby levied on each retail sale in this state of tangible personal property occurring during the period beginning on the first day of January, 1935, and ending on the thirty-first day of December, 1935.³

The latter portion of this law was later revised as follows:

An excise tax is hereby levied on each retail sale made in this state of tangible personal property . . . on and after the first day of January, 1935⁴

This revision of the three per cent retail sales tax act had the effect of making the tax a permanent source of revenue, whereas it had been drafted originally as a temporary source to be withdrawn on December 31, 1935. This tax yielded \$48,000,000 on the first year, or \$11,000,000 beyond the reduction in the

¹"State Support of Public Schools in Ohio," School Finance Systems (Washington, D. C.: Research Division, National Education Association, January, 1938), Fifth pamphlet, Series 1.

²Lawrence G. Holmes, report given at National Conference on Real Estate Taxation, Washington, D. C., April 25, 1940. Newspaper release.

³Legislative Acts of Ohio, 1935, House Bill 121, sec. 5546-2, p. 43.

⁴Ibid., Special Session, 1935, House Bill 694, sec. 5546-2.

property tax.¹

The returns from the retail sales tax (after deducting the cost of administering the act, and appropriations for old-age pensions and poor relief) were apportioned as follows: sixty per cent to public schools and forty per cent to local governments. The amount to schools was apportioned on the basis of average daily attendance. The amount to local governments was distributed to counties, cities and villages, and townships, on the basis of assessed valuation.²

In commenting upon the sales tax, Rohe reports a later method of distribution:

In the beginning, part of the sales tax revenue was earmarked for poor relief, and the balance distributed as follows: sixty per cent to the state public school fund and forty per cent to other local governments. This plan was changed in 1939 at the beginning of the present biennium, and now the state's general revenue fund receives the entire proceeds from the sales tax. The legislature appropriates from the general revenue fund the amount that is needed to finance state support of schools.

Similarly, the legislature has appropriated \$ 12,000,000 for each year of the biennium for other local governments. This \$ 12,000,000 is distributed by the State Auditor to the county auditors and in each county the local budget commission determines how the county's portion is to be distributed to the local governments.³

The proponents of tax limitation in Ohio had maintained that the limitation would force economy in state and local government, but the Ohio experience under the limitation has been one, not of reduction in expenditures for government, but of shifting a portion of the burden from real estate to other sources of income. Atkinson says:

The ten mill limitation has . . . shifted the burden of local government to a poorer group of taxpayers. The total volume of taxation has not been reduced, for as a matter of fact the retail sales tax produces more revenue than has been lost through the cut in property tax levies. Rather, the cost of local government has been thrust more largely onto the class without property and upon the small home owner who is undoubtedly paying more in sales taxes than he is

¹Lawrence G. Holmes, "Over-All Tax Limitation," Property Taxes, Symposium (New York: Tax Policy League, 1939), p. 40.

²Sowers, op. cit., p. 32.

³Letter from Robert L. Rohe, Division of School Finance, State Department of Education, Columbus, Ohio, August 6, 1940.

saving in his property tax bill. On the other hand, the large real estate holder and the corporation, which is exempt from the sales tax on most of its purchases, are enjoying a substantial degree of tax reduction.¹

Sowers mentions that the limitation did not produce the results which seemed to be expected:

No doubt many citizens voted for the tax limitation in the belief that it would result in reducing their taxes. Most of the current publicity in newspapers and magazines gives the impression that if governments could be efficiently operated and waste and inefficiency removed, millions of dollars could be saved and large reductions could be made in taxes. Ohio's experience under tax limitation proves the fallacy of this argument. In spite of most vigorous attempts to hold expenditures down and to operate within the limitations, expenditures have kept pace with other states and continued to increase from year to year. All possible saving arising from economies having been realized during the depression period, the governments are now confronted with the need of discontinuing services if further reductions are insisted upon.²

In Ohio there has also been a shifting from support of local government by local taxpayers to a greater support from the state. The adoption of the ten mill limitation in 1933 resulted in a considerable increase in the amount of state aid for public schools and also in some additional state support for other local government. Rohe reports:

As a result of the amendment, the Ohio legislature in 1935 repealed an Educational Equalization Law, enacted in 1906, which provided state aid for weak school districts, and enacted a law providing state support for all school districts. Under the old law, the state's contribution for one year never exceeded \$ 7,000,000. Under the new law, the state is distributing approximately \$ 49,000,000 each year to local school districts.³

The Smith law enacted in 1911 was a result of a move to increase the assessment of property to one hundred per cent of its true value. Previously, property had generally been valued at about thirty per cent of its true value. The proponents of the law held that a definite tax rate would be necessary to offset the result in taxation of greatly increased assessed valuations. The results of placing a limitation on the tax rate to assure an increase in the assessed valuation appear to have been unsuccessful. The political officials in the counties would not

¹Atkinson, op. cit., p. 74.

²Sowers, op. cit., p. 33.

³Letter from Robert L. Rohe, Division of School Finance, State Department of Education, Columbus, Ohio, August 6, 1940.

reappraise real estate and the subsequent result of the tax rate limitation was a decrease in revenue.

The limitations provided by the Smith law brought on huge deficits in some of the cities. Atkinson reports:

Including street repair bonds and the like, Ohio local governments probably issued more than \$50,000,000 of bonds for financing current expenses before the Smith Law limitations were finally relaxed. In addition to wholesale reliance on deficiency bonds, many other financial abuses arose. Sinking fund requirements were commonly ignored, and in many cases sinking fund balances were diverted to the payment of operating expenses. Bond funds were likewise diverted . . . The total burden saddled on subsequent taxpayers by this decrease of rigid tax limitation (1911 to 1921) cannot be determined. Counting deficiency bonds and other bonds for current operation and for improvements which would normally have been financed from direct taxation, the interest on these bonds, the failure to maintain sinking funds, and the added years of interest necessitated by the refunding of maturing indebtedness, it is not unlikely that the Smith Law shifted a burden of around \$100,000,000 onto the backs of later taxpayers.¹

Sowers indicates that much the same situation exists under the present law:

Ohio citizens have been forced by the tax limitation amendment to operate on deficiency bonds, a most expensive method of financing and a plan which charges taxpayers tomorrow for the cost of government today. In large part the operation of local governments is being carried by deficiency bond issues disguised as refunding issues.²

The total tax collections in Ohio for a ten-year period shows the trend away from direct taxes and definitely toward indirect taxes. These data are shown in Table 3.

Direct taxes decreased 41.8 per cent in the ten-year period, while indirect taxes were increased 134.2 per cent. The increase in direct taxes is marked in 1935 and 1936, at which times a general sales tax of three per cent and a use tax were put into effect.

Sowers also points out that large cities pay more in replacement taxes than they receive back through the distribution of state funds.³ He quotes the Vice-Chairman of the Tax Commission as follows:

City real estate owners who shouted for a shifting of the real estate tax burden to another class of property will no

¹Atkinson, op. cit., p. 71.

²Sowers, op. cit., p. 32.

³Ibid., p. 33.

TABLE 3

DIRECT AND INDIRECT TAX COLLECTIONS IN OHIO FOR THE
TEN-YEAR PERIOD, 1929-1938*

Year	Direct Taxes	Indirect Taxes	Total
1929	\$ 323,000,000	\$ 73,000,000	\$ 396,000,000
1930	329,000,000	78,000,000	407,000,000
1931	311,000,000	82,000,000	393,000,000
1932	231,000,000	79,000,000	310,000,000
1933	191,000,000	80,000,000	271,000,000
1934	203,000,000	96,000,000	299,000,000
1935	187,000,000	153,000,000	340,000,000
1936	193,000,000	183,000,000	376,000,000
1937	189,000,000	190,000,000	379,000,000
1938	188,000,000	171,000,000	359,000,000

*Donovan F. Emch, "The Effects of Tax Limitation in Ohio," Property Taxes (New York: Tax Policy League, Inc., 1939), p. 63.

doubt find in the form of the new tax that they are not only paying for the relief afforded their own real estate but for the relief given real estate in other counties where the replacement levies produce nothing.¹

Holmes reports that the claims of the proponents of property tax limitations in Ohio have been clearly substantiated. He says: "The benefits far outweigh the difficulties."² Referring to the fifteen mill constitutional amendment in 1929, Holmes says: "With the adoption of this constitutional amendment, the Ohio tax structure was modernized--a Constitutional limitation of fifteen mills was placed upon real property; the legislature was given authority to tax other forms of wealth at fair and just rates."³

One of the results of a tax rate limitation in the states adopting them has been a careful analysis by other states of the

¹C. S. Dargusch, Vice-Chairman Tax Commission of Ohio, "Ohio's Fiscal Crisis," p. 14, cited by Sowers, op. cit., p. 33.

²Holmes, op. cit., Property Taxes, p. 39.

³Ibid., p. 42.

outcome of such action. In some cases it is evident that a state has followed very closely the pattern set up in another state which has adopted a limitation. Michigan, for instance, followed to a great extent the pattern already set up in Ohio. Ohio's early experience with the tax rate limit on property placed the state in a position for study and influence. Limitations in effect have provided laboratories for first hand study of defects as well as strengths of the limitation measure.

In a round table conference on the subject of tax limitations, the report of the chairman points out that all is not well in states having limitations, and that the evils should be exposed. He said further:

It was generally agreed by those attending this meeting that when proponents of tax limitation amendments begin an active campaign, municipal finance officers should immediately ascertain the extent to which these limitation laws will affect their municipalities and furnish to the general public a definite and concrete statement as to the type of service which would be eliminated unless replacement revenues were approved at the same time the limitation laws go into effect, and to cite experience of other states and cities where small property owners are paying more than before limitations on property tax rates were passed.¹

Hagerman further emphasizes the need for replacement revenues, and the necessity of planning for such revenues before adopting limitations:

Our experience in Ohio suggests that it is the duty, not only of public officials, but of all others who are interested in maintaining adequate governmental functions, to give serious thought as to where additional revenues might be secured before endorsing measures which bring about tax limitations.²

In general, the intended results of the limitations in Ohio seem to have been:

1. To force the assessment of real estate at hundred per cent of its value.
2. To shift the tax burden from real to intangible property.
3. To curb expenditures of state and local governments.

¹Earl Hagerman, "Tax Limitations and Tax Exemptions," Municipal Finance, September, 1936, p. 44. (Report of Conference Round Table.)

²Earl Hagerman, "Tax Limitation in Ohio," ibid., November, 1934, p. 23.

The actual results, however, indicate that these aims were largely unsuccessful. County officials refused to raise the assessed valuations, creating a loss in revenue from this source under the limitation. The sales tax revenue failed to replace the total loss in property tax revenue. The limitation failed to curb governmental expenditures.

In addition to the failure of the original aims, the most outstanding results of the Ohio limitation seem to have been an increase in state aid to schools and other local governments, and the increase in the bonded indebtedness of the larger cities, whereby "the cost of present public services will be passed on to the next generation."¹

Oklahoma

The Limitation

The Oklahoma tax rate limitation was initiated by a resolution² of the legislature in 1933 which provided for the submission of a proposed constitutional amendment to the electors. The proposal was adopted in August, 1933, and limited the tax rate in Oklahoma as follows:

Except as herein otherwise provided, the total taxes for all purposes, on ad valorem basis, shall not exceed in any taxable year, fifteen (15) mills on the dollar, to be apportioned between county, city, town and school district, by the County Excise Board, until such time as the regular apportionment is otherwise provided for by the Legislature.

No ad valorem tax shall be levied for State purposes, nor shall any part of the proceeds of any ad valorem tax levy upon any kind of property in this State be used for State purposes; provided, however, any county of the State make an additional ad valorem levy, not exceeding two (2) mills on the dollar valuation, on any property within the county, for separate schools for white and negro children, such aid or money raised therefor to be apportioned as provided by law; provided further, the annual ad valorem tax rate for school purposes may be increased, in any school district, by an amount not to exceed ten (10) mills on the dollar valuation, upon all property in the district, on condition that a majority of the qualified voters of such district voting at an election, vote for such increase, provided however, that the Legislature shall by proper laws prescribe the manner and method of conducting such election, but until such legislative provision

¹Atkinson, op. cit., p. 74.

²Official Session Laws, State of Oklahoma, 1933, chap. 169, Resolution No. 1.

is made, such levy may be made and said election held as now provided by law; and provided further, that limitation on the levy of such additional ten mill levy may be made hereafter by the Legislature.

Provided also, an additional levy may be made each year, in the State and the various subdivisions thereof, on all personal and real property subject to ad valorem taxes, to reasonably take care of bonded and other valid indebtedness of the State and various subdivisions existing at the time this amendment is adopted and becomes effective, but such necessary additional levy or assessment on such property to take care of such indebtedness existing and owing by the State and its subdivisions at such time shall in no event exceed levy or assessment for which such property would have been liable under the Constitution and laws of the State as same existed immediately prior to the adoption of this amendment. No provision hereof shall be construed to tax churches or schools.¹

The constitutional amendment was carried at the general election in November, 1933, with a vote of 183,623 for, and 20,739 against the proposition.² The amendment became effective for the fiscal year 1934-35.³ It provides for a total of twenty-seven mills which may be levied for current operating purposes. A tax rate of fifteen mills is allocated by the county excise board among the three local units--school districts, cities or towns, and county government. In addition to that portion of the fifteen mills allocated to school districts, each district may vote a maximum of ten additional mills. The county excise board may levy as much as two mills for the county minority schools, which are generally negro schools. Only seventeen mills may be allocated without a vote of the electors in the assessing district. Taxes for sinking funds are levied by the local units outside the limitation.⁴

The state receives no portion of the fifteen mills allocated. Levies outside the limit may be made for service on debts outstanding on August 15, 1933, within such limits as existed prior to that date.⁵ A simple majority of the electors of any school district voting at an election is necessary to vote tax

¹Constitution of Oklahoma, Article X, sec. 9. (As amended August 15, 1933.)

²Letter from A. L. Crable, State Superintendent of Public Instruction, Oklahoma City, Oklahoma, August 19, 1940.

³Ibid.

⁴Constitution of Oklahoma, Article X, sec. 9. (As amended.)

⁵Hillhouse and Welch, op. cit., pp. 38-39.

levies in addition to the fifteen mill tax rate limit, and the length of time such additional levies are effective is not specified in the law.¹

The amendment provides that the legislature may change the apportionment of the tax rate.²

The idea of constitutional tax limitation was not new in Oklahoma. The original constitution adopted in 1907 incorporated a tax limitation of 31.5 mills for all purposes, exclusive of debt requirements, and established maximum limits for each taxing unit as follows: state, 3.5 mills; county, 8 mills; township, 5 mills, cities, 10 mills; and schools, 5 mills. Additional levies could be made up to 43.5 mills.³

The reductions in the maximum limits according to the 1933 amendment were apparently made in an attempt to afford relief to property owners and to curtail government expenditures.⁴

Administration of the Limitation

The County Excise Board,⁵ which was already in existence at the time the limitation was adopted, is responsible in each county for the apportionment of the fifteen mills specified in the limitation amendment "between county, city, town and school district, until such time as the regular apportionment is otherwise provided for by the Legislature."⁶ This was a change from the former definite allotment for each taxing unit under the original constitution. No mention is made of possible recourse in case of dissatisfaction on the part of the individual taxing units. Under the terms of the limitation amendment, the state government receives no portion of the property tax levy.⁷

Results of the Limitation

In Oklahoma, even before the adoption of the 1933 limita-

¹Ibid.

²Constitution of Oklahoma, Article X, sec. 9.

³Sowers, op. cit., p. 34.

⁴Ibid.

⁵Official Session Laws, State of Oklahoma, 1933, chap. 115, sec. 1, 2.

⁶Constitution of Oklahoma, Article X, sec. 9. (As amended.)

⁷Ibid.

tion amendment, the financial situation had been serious. During the depression, assessed valuations had declined, and tax delinquency increased. Assessed valuation dropped thirty-one per cent from 1929 to 1932. The total general property tax levied for local government in 1933 was fifty-one million dollars, of which only twenty-four million was collected.¹ State and local indebtedness mounted, until in 1932 the gross debt was \$248,000,000, or about twenty per cent of the assessed valuation of the state.

Just how much of the seriousness of the financial situation should be attributed to the depression, and how much to the original limitation, which was high, is somewhat hard to determine. However, it seems reasonable to assume that indebtedness increased to some extent because of the ability of local units to levy taxes for debt service outside of the limitation by special authorization. Sowers reports:

The total bonded debt of counties and townships outstanding on June 30, 1933, amounted to \$45,000,000. In addition they had unpaid judgments amounting to \$1,200,000. "Before 1931 it was a common practice of local officers to exceed the budget appropriation for the purchase of supplies, materials, and equipment and in the letting of contracts. Purchases were made and contracts let without the authorization required by law and a judgment was then obtained by the seller or contractor against the county Since no sinking fund levies fall within the tax rate limitations, there was no evident limit to which judgments could be piled up against a county provided they could be obtained in the courts." These bond and judgment requirements represented an average levy of four mills in 1932.

In addition to the property taxes, Oklahoma had already developed a comprehensive system of state collected taxes and their apportionment among the local units. The net income tax, gasoline tax, motor vehicle tax, gross production tax on oil, and tax on insurance companies were collected by the state and shared with the local governments.

In 1931 an increase of one cent was made in the gasoline tax to care for unemployment relief. A corporation income tax was enacted, seventy-five per cent of which was allocated to schools and the balance used to reduce the state property tax. These were the only major changes made in the fiscal system during the depression prior to 1933. In July of that year, the legislature passed

¹Sowers, op. cit., p. 35.

²Sowers, op. cit., p. 35, 36.

a one per cent sales tax, a tax on beer, and amended the income tax to provide for increased revenue.¹ These were enacted before the amendment became effective, as measures to lighten the property tax and were earmarked in most part for schools.² When the retail sales tax was enacted, all the revenues were appropriated to the schools as follows: fifty per cent to the counties for schools on a per capita enumeration basis to be used for a reduction of the local school levies on property; seventeen per cent (but not to exceed one million dollars a year) to be allocated to the state common school equalization fund; thirty per cent to counties on an enumeration basis to be used to pay outstanding school warrants and bonds, and three per cent for the administration of the tax.³

In 1935 legislature provided other revenues as follows: increased the income tax rates, increased the gross production taxes from three per cent to 5 per cent of gross value on oil and gas produced, revised the inheritance tax rates on a graduated scale from one per cent to a maximum of ten per cent, and imposed a cigarette tax to be effective only to June 30, 1936.⁴ One of the most important steps taken by the 1935 legislature was to abandon in a large part the earmarking policy for public schools. However, Thomas⁵ reports in 1936 that the schools were adequately provided for.

One comment on the results of Oklahoma's experience with constitutional tax limitations was: "The limitation upon property levies appears to have contributed powerful pressure toward bringing about the adoption of other forms of taxation."⁶ That this was substantially true, is shown by the fact that the replacement revenues even exceeded the loss in revenue occasioned by the property tax limitation amendment.

In commenting upon the effect of the limitation amendment upon schools, Grable reports:

The limitation has had something to do with increasing the state aid to public schools. Prior to 1935 the maximum state aid was approximately two and one-half million dollars.

¹Raymond L. Thomas, "Recent Changes in Oklahoma Tax Systems," Tax Magazine, September, 1936, p.

²Ibid.

³Sowers, op. cit., p. 36.

⁴Ibid.

⁵Thomas, op. cit.

⁶Sowers, op. cit., p. 36.

The Legislature appropriated \$8,200,000 for the biennium 1935-37; \$12,800,000 for the biennium 1937-39, and \$11,500,000 for the biennium 1939-41.¹

The sources of school revenue in Oklahoma, according to Sowers, consist of the local levies on property, state collected funds allocated on a per pupil basis, and a smaller amount contributed by counties and the federal appropriations for Indian tuition and vocational education.²

Sowers continues:

The proportion of school revenue contributed by property taxes decreased from eighty-one per cent to fifty-three per cent during this period (1929 to 1935) and the amount contributed by the state increased from ten per cent to thirty-nine per cent. The state collected funds allocated to schools were₃ derived largely from the sales tax and gross production tax.

The municipalities have not fared so well under the limitation amendment. According to Sowers, they have not participated in the apportionment of the new state collected taxes, and the only state collected taxes received by the municipalities are eight per cent of the motor vehicle license, which goes to the street and alley fund of cities. About one-third of the total revenue of municipalities is obtained from the general property tax, one-third from the public utility enterprises, and one-third from miscellaneous revenue. As assessed valuation has declined, the revenues of municipalities have declined and they have been confronted with the problem of balancing municipal budgets without any aid from the state, and local levies have continued at a high level.⁴ Crable mentions that the municipalities have had some increase in the apportionment of the gasoline tax.⁵

Tax limitation in Oklahoma has been responsible for one minor reallocation of functions. All township roads have been placed in the county highway system, to be maintained and improved out of county revenues.⁶

¹Letter from A. L. Crable, State Superintendent of Public Instruction, Oklahoma City, Oklahoma, August 19, 1940.

²Sowers, op. cit., p. 37.

³Ibid.

⁴Ibid.

⁵Letter from A. L. Crable, State Superintendent of Public Instruction, Oklahoma City, Oklahoma, August 19, 1940.

⁶Hillhouse and Welch, op. cit., p. 28.

Woodworth reported a study of property tax collections in Oklahoma for three years, 1931-32, 1934-35, and 1936-37, in relation to the total receipts from all sources. His study showed a breakdown of these receipts for counties, cities and towns, school districts, and townships. These data are given in Table 4.

TABLE 4

PER CENT OF TOTAL RECEIPTS REPRESENTED BY PROPERTY
TAX COLLECTIONS IN OKLAHOMA FOR THREE YEARS,
1931-32, 1934-35, AND 1936-37*

Units of Government	Per Cent of Total Receipts Represented by Property Tax Collections		
	1931-32	1934-35	1936-37
Counties	56.00	60.94	55.02
Cities and towns .	49.18	52.52	43.59
School districts .	73.07	64.50	55.41
Townships	97.63	89.66	86.78
Totals . . .	62.33	60.37	52.34

*Leo Day Woodworth, "Importance of Property Tax in State and Local Tax Systems," Property Taxes (New York: Tax Policy League, Inc., 1939), p. 11.

It is significant that counties, cities and towns, in 1936-37, received approximately the same ratio of property taxes to total receipts as in 1931-32, the cities and towns showing a slight reduction. The property tax has been less significant to school districts and townships over this period, the schools having a greater reduction than any of the other governmental functions. The ratio of property tax collections to total receipts for all purposes decreased from 62.33 to 52.34, a percentage decrease of sixteen over the period.

These data have only one significance: to show the per cent which the property tax bears to the total receipts from all sources in each of the governmental units. They do not show, except by implication, increases or decreases in other sources of aid.

Rhode Island

The Limitation

The first experience with an over-all tax limit in the State of Rhode Island was in 1878 when its legislature enacted a statute with the following provisions:

No town shall assess its ratable property in any one year in excess of one per centum of its ratable value, except for the purpose of paying the indebtedness of such town or the interest thereon, or for appropriations to any of the sinking funds, or for extraordinary repairs for damages caused by the elements; but assessments for specific benefits conferred by the opening or improving of any public highway, or for any public sewer, shall not be taken to be within the provisions of this section.¹

This act did not place within the limit, tax levies for certain specified services, including taxes levied for the purpose of paying the indebtedness or the interest thereon. Although this law was twice revised to increase the tax rate limit, it was not otherwise radically modified until 1932. In 1932, the limit on the tax rate was set, by the General Assembly, at two and one-half per cent of the ratable property in the towns. The provision of the act, establishing the limit, is as follows:

No town shall assess its ratable property in any one year in excess of two and one-half per centum of its ratable value. Whenever it shall appear that the valuation of the ratable property as fixed by the assessors of the town fails under this limitation to yield the amount of tax legally ordered to be levied by the electors for the purposes authorized by law, the state commissioner of finance, upon petition by the town council, may, in his discretion, authorize said town to incur indebtedness in excess of the limit of three per centum of the taxable property of such town provided in section 22 of this chapter, or may authorize the assessment to be made in excess of the limitation provided in this section in any one year, upon presentation of evidence satisfactory to him that such a course is warranted by all the circumstances. For this purpose said commissioner may require such information as to the financial condition of the town as he may deem necessary for the proper exercise of the authority granted hereunder.²

This statute provided that the tax rate limit might be

¹Rhode Island Acts, Resolves and Reports, May 1877-January 1878, chap. 666, January sess.

²Ibid., November 1931-January 1932, chap. 1861, January sess. 1932.

increased upon petition by the town council, and approval of the state commissioner of finance.¹

At the 1933 session of the General Assembly, the act was revised to read:

Sec. 23. No town shall assess its ratable property in any one year in excess of two and one-half per centum of its ratable value except for the purpose of paying the indebtedness of such town or the interest thereon, or for appropriation to any of the sinking funds²

This change made it possible for the town council to assess in excess of the two and one-half per cent rate for the payment of principal and interest on indebtedness or for appropriation to any of the sinking funds, without presenting the situation to the state commissioner of finance for his approval. But all other exceptions that had been in effect were eliminated. Since the over-all rate was not changed in 1933, the elimination of certain exceptions was the only change from the previous limitation.

More stringent limitations have been proposed but have not been accepted, according to information received from the State Department of Rhode Island:

Various proposals for lowering the rate limit to one and one-half per cent and one per cent have been made in Rhode Island within the past few years, but without result, the legislature apparently feeling that such proposals were unsound, as they contained no provision for replacing the revenues which would be lost by a reduction in the rate limit. It is doubtful if the tax limitation question would have been raised at all in Rhode Island, had it not been for the effect of the depression upon the real estate market and real estate owners.³

Administration of the Limitation

The 1932 General Assembly provided that the tax levy be made by the town council, not to exceed two and one-half per cent of the ratable value of the property.⁴

¹Rhode Island Acts, Resolves and Reports, November 1931-January 1932, chap. 1861, January sess. 1932.

²Ibid., chap. 2028, January sess. 1935.

³Letter from Daniel L. Willmarth, Corporation Tax Clerk, Division of Taxation, State Department of Coordination and Finance, Providence, Rhode Island, October 16, 1940.

⁴Rhode Island Acts, Resolves and Reports, November 1931-January 1932, chap. 1861, January sess. 1932.

If the value of the property as fixed by the assessors is not sufficient, with a tax of two and one-half per cent, to yield the amount of tax legally ordered to be levied by the electors for the purpose authorized by law, the state commissioner of finance has the authority to do one of two things: (1) to authorize that the indebtedness of the town might be increased in excess of the limit of three per cent of the taxable property, or (2) authorize the assessment to be made in excess of the limitation.¹ There is no limit set upon the amount of such increase, but it applies to not more than one year.

Since the 1933 revision of the amendment, the town council can assess in excess of the two and one-half per cent "for the purpose of paying the indebtedness of such town or the interest thereon,"² without presenting the situation to the state commissioner of finance for his approval. In order to exceed the debt limit of three per cent as set by law, however, it is still necessary for the town council to have the approval of the state commissioner of finance.³ The law also specifies that the state commissioner of finance may require such information as to the financial condition of the town as he may deem necessary.

Results of the Limitation

It appears that there have been no serious results, in the State of Rhode Island, from the limitation on the property tax. In the first place, the limit is at present higher than in most of the other states having limitations, and in the second place, Rhode Island had been operating under a lower limitation on the property tax from 1878 to 1920. The over-all tax rate limit from 1878 to 1902 was one per cent, and from 1902 to 1920 it was one and one-half per cent. The limit since 1920 has been two and one-half per cent. The assessed value of property has apparently been kept on a fairly standard level. The fact that the state commissioner of finance may authorize the town council to increase the tax rate limit for debts when a two and one-half per cent tax on the ratable property is not sufficient, may have influenced the

¹Rhode Island Acts, Resolves and Reports, November 1931-January 1932, chap. 1861, January sess. 1932.

²Ibid., chap. 2028, January sess. 1933.

³Ibid.

assessing of property at a fair value.

Hillhouse and Welch, in a discussion of indebtedness, state that:

From 1878 to 1932, Rhode Island had the type of limit which should encourage borrowing. It is not surprising then to find that the 1932 per capita indebtedness (less sinking funds) of the state and its political subdivisions was \$158.55, the highest figure in any New England state and eleventh highest in the whole country Between 1912 and 1932 the Rhode Island per capita debt was slightly more than tripled, while that of all New England was not even doubled Other factors besides tax limitation undoubtedly encouraged Rhode Island local governments to borrow, but tax limitation played a part.¹

Most of the states, with the exception of Rhode Island, Oklahoma and Ohio, have not had low tax rate limits long enough to know whether their limits will encourage borrowing to a very great extent. Permission to service outside the tax rate limit debts which are incurred after the limit is adopted is cited as being conducive to borrowing.²

The effect of the tax limitation upon the school systems of Rhode Island has not been particularly involved. The purpose of the legislation was more in the nature of a curb upon municipal authorities, and has been imposed on thirty-nine taxing units. The fact that only a very few cities and towns in Rhode Island levy the maximum rate demonstrates that municipal services have not been appreciably affected.³

Rhode Island has exempted certain manufacturing concerns and other businesses from taxation. "Considerable concern was expressed during the 1930's because idle mills were being torn down and machinery was being taken from the state." In 1939 Rhode Island passed a law permitting designated authorities in the cities or towns to "wholly or partially exempt from taxation for a period of not exceeding one year, manufacturing or mill buildings in which manufacturing has not been carried on for at least one year immediately prior to the granting of such exemption."⁵

¹Hillhouse and Welch, op. cit., p. 23.

²Ibid.

³Ibid., p. 30.

⁴Lucy W. Killough, "Tax Exempt Industries in Rhode Island," Bulletin of National Tax Association, XXVI, No. 2 (November, 1940).

⁵Rhode Island Acts and Resolves, January sess., 1939, chap. 694, sec. 1.

Washington

The Limitation

The use of fixed tax limits as a means of controlling expenditures by local units of government has been the practice in the State of Washington for years.¹ As early as 1893 the legislature enacted such a law. The present over-all tax limit was an initiative measure passed by the legislature in 1932 and repassed by an initiated measure every two years by the legislature since that time.²

The 1932 act, known as the "Forty-Mill Tax-Limit Bill," makes the following provisions:

Sec. 1. Except as hereinafter provided, the aggregate of all tax levies upon real and personal property by the state, county, school district and city or town, shall not in any one year exceed forty mills on the dollar of assessed valuation, which assessed valuation shall be fifty per cent of the true and fair value of any such property in money, and the levy by the state shall not exceed five mills, the levy by any county shall not exceed ten mills, including the levy for the country school fund, the levy by or for any school district shall not exceed ten mills, and the levy by any city or town shall not exceed fifteen mills; Provided That nothing herein shall limit the power of any county to levy taxes, at the rate provided by law, for any taxing district, other than a school district, where such taxing district includes less than the whole county; Provided further, That the limitation imposed by this section shall not prevent the levy of additional taxes to pay interest or principal on bonds issued by or through the agency of the state, or any county, city, town or school district warrants outstanding at the time of the taking effect of this act; Provided further, That any county, school district, city or town shall have the power to levy taxes at a rate in excess of the rate specified in this act, when authorized so to do by the electors of such county, school district, city or town by a three-fifths majority of those voting on the proposition at a special election, to be held on the Tuesday next preceding the first Monday in October of the year in which the levy is made.³

This measure was adopted at the general election of 1932 by a large popular vote. It became effective in 1933 for tax

¹Joseph P. Harris, "Washington Tax Limitation Measures," Property Tax Limitation Laws, 1934, p. 73.

²Letter from W. B. Satterthwaite, Department of Education, State of Washington, Olympia, Washington, August 5, 1940.

³Session Laws of the State of Washington, 1932, chap. 4, sec. 1. Initiative Measure No. 64.

collections in 1934. It substantially lowered the tax limits already in effect. In addition to an over-all limit of forty mills on property within cities and twenty-five mills on property in rural areas, the law specifies that the assessed value of property "shall be fifty per cent of the true and fair value of any such property in money."¹ It provided for a limit on the state tax rate of five mills, a limit on the tax rate in the county of ten mills, a limit of ten mills by or for any school district, and a limit of fifteen mills for any city or town.² Taxes for the purpose of paying the interest or principal on bonds issued by or through the agency of the state, or any county, city, town, or school district warrants outstanding at the time of the taking effect of the act, are outside the forty mill limit.³ The act further provides that any unit of government might exceed the limit by a sixty per cent favorable vote.

In 1934 another initiated measure⁴ was passed, by a very close vote, which was designed to correct the previous measure by bringing all levies for future debt within the millage limit and also to continue the limit law for two more years. This measure reduced the state levy from five mills to two mills, all of which is allocated to the higher educational institutions of the state, and brought road districts, previously untouched, under a limitation of three mills.⁵ In effect, the limit is thirty-seven mills for city property, as the road tax may not be levied in cities, and for unincorporated areas the limit is twenty-five mills, inasmuch as the city tax may not be levied in these areas.⁵ In reality, too, assessed valuations average from twenty to thirty-five per cent of the real value of property, instead of fifty per cent as prescribed by the law, making the actual return from the property tax lower than would seem to be indicated by the total millage allowed.

Administration of the Limitation

The Washington act provides that the particular taxing

¹Ibid.

²Ibid.

³Ibid.

⁴Session Laws of the State of Washington, 1934, Initiative Measure No. 94.

⁵Ibid.

⁶Letter from W. B. Satterthwaite, Department of Education, State of Washington, Olympia, Washington, August 5, 1940.

unit has full power to levy the tax rate within the specified limits. In other words, the school district may levy ten mills, the county may levy ten mills, the city may levy fifteen mills, with full authorization and with no restrictions. An additional rate, not to exceed five mills or the amount necessary to prevent impairment of contracts, whichever is larger, may be imposed for service of general obligation bonds outstanding on December 3, 1936.¹ An additional rate of unlimited amount may be imposed by any district other than the state, for service at the rate provided by statute on any warrants outstanding on December 8, 1932,² the date the bill was signed by the governor.

A local taxing unit may exceed the specified maximum by a vote of sixty per cent of those voting on the proposition. Such election may be called by the board of the taxing unit for which the tax is proposed, and, according to the law, such election shall be held "on the Tuesday next preceding the first Monday in October of the year in which the levy is made."³ The revised measure, as passed by the 1934 legislature, specifies that the total number voting at such election must constitute at least fifty per cent of the number voting for governor at the last general election.⁴ Such extra levy is for one year only.

Special districts, such as port districts, drainage, and improvement, are not affected by the law. The road districts, previous to 1934, were not under the limitation.

Results of the Limitation

Washington is the only one of the states having property tax limitations which places a limitation on the assessed valuation as well. While the legal assessed valuation of real property is set by law at fifty per cent, the actual assessed valuations are much less, thus imposing a double restriction.

Assessed valuation of property decreased 22.9 per cent from 1929 to 1935. A corresponding reduction in property taxes would have taken place even without a limitation on the tax rate.

¹Hillhouse and Welch, op. cit., p. 38.

²Hillhouse and Welch, op. cit., p. 38.

³Session Laws of the State of Washington, 1932, Initiative Measure No. 64.

⁴Ibid., 1934, Initiative Measure No. 94.

Since the total property tax levied in 1935 was \$42,726,000, as compared to \$62,524,000 in 1934, it seems apparent that the tax limit law was responsible for a further reduction of about twenty million dollars in property taxes.¹

The drop in the amount of the state levy from ten or eleven mills to five mills (two mills for higher educational institutions and three mills for roads) made it necessary to obtain additional funds from other sources. An income tax adopted by initiative petition had been declared unconstitutional. The legislature enacted a classified multiple turnover tax levied on gross income, gross proceeds of sales or value of products, and allocated the entire net revenue to the support of common schools. About sixty per cent of the state's original levy had formerly gone to pay \$20 per census child and the county had contributed \$10 per census child. The method of apportionment was changed and the new apportionment act passed in 1933 provides that the state should raise five cents per pupil per attendance day. Under the new apportionment, the state's contribution was increased about two-thirds, and the counties' contribution was decreased about ten per cent.²

The business turnover tax was of a temporary and emergency nature and expired June 30, 1935. The legislature of 1935 enacted an omnibus tax measure including a two per cent retail sales tax; business occupation tax; compensating tax; public utility tax; admissions tax; tax on conveyances, radios, fuel oil, cigarettes and inheritances.³

The revenue from the new taxes was allocated as follows: support of schools, 63.0 per cent (common 58.5 and higher learning 4.5 per cent); unemployment relief, 17.9 per cent, and the general state fund, 19.1 per cent. Payments for old-age pensions, a new state burden, were to be made from the general fund.

In 1933, three cents of the gasoline tax were allocated to secondary roads, formerly county roads, in lieu of former road and bridge fund levies, which were abolished. The state also assumed the counties' burden of supporting the unemployed, financing the same by a \$10,000,000 bond issue.⁵

¹Sowers, op. cit., p. 39.

²Ibid.

⁴Ibid.

³Ibid., p. 40.

⁵Ibid.

The loss in state revenue due to the property tax levy reduction was restored by the development of the new taxes and the floating of a bond issue for emergency relief. The assumption by the state of a larger share of the cost of common schools and the emergency relief program, however, resulted in an increase in state disbursements. The state debt increased almost ten million dollars in two years, 1932 to 1934. State taxes uncollected as of June 30, 1934, amounted to over ten million dollars.¹

The counties in Washington have suffered less under the limitation than might have been the case. Three elements were responsible for this fact: The road and bridge funds formerly included in the county levy were financed by the state through the gasoline tax; the county levy for common schools was lowered; and the state assumed the responsibility of financing old-age pensions, formerly a county function, and also assumed a larger share of the unemployment relief.²

The schools were the least affected of any of the local units of government by the limitation. Their levy limit remained unchanged at ten mills but the new law made it more difficult to vote special levies in excess of the limit, which was a common practice in previous years. The additional millage must be authorized by a three-fifths vote, and the number of votes must be at least fifty per cent as many as were cast for governor in the last general election.³

All new building costs must be met either by a bond issue or a tax levied for the purpose, both of which are charges against the property of the local district. New bond issues must be retired and the interest paid out of the ten mills allotted to school districts.⁴

The limitation has resulted in greater state aid to schools. Satterthwaite reports:

The entire amount of state aid for schools in the school year 1931-32 was \$6,945,186.55. The state aid for schools in 1939-40 was \$17,822,875.46. The latter figure does not include state aid for school buildings which would probably add a million dollars.⁵

¹Sowers, op. cit., p. '40.

²Ibid.

³Ibid., p. 41.

⁴Ibid.

⁵Letter from W. B. Satterthwaite, Department of Education, State of Washington, Olympia, Washington, August 5, 1940.

He comments upon the fact that the limitation has had little or no effect upon the amount of money used by the schools:

The schools of the state are spending approximately the same amount of money as was spent in the pre-depression years before the adoption of the tax limitation. During the past year the public schools of the state (not including the higher institutions) were supported financially as follows: Local district, 34 per cent; county taxation, 5 per cent; state support (none of which is from property tax), 61 per cent.¹

Of the replacement revenues listed by Satterthwaite as having been substituted for the general property tax, the sales tax is the most important, yielding about half of the total.

Municipalities, more than the other local units of government, have failed to receive sufficient replacement revenue to make up for the loss in property tax revenues, and have received less state aid. As a result, basic services have been curtailed. The mayor of Longview, Washington, says:

The forty-mill tax law adopted in this state at the last session of our legislature reduced by twelve per cent the amount that could be spent by our city. We had been operating on seventeen mills. This is now limited to fifteen mills. There has been a reduction in police and fire departments, both as to men and equipment. There has been curtailed street lighting. Street and alley repairs have been curtailed. Library hours have been shortened and the library will be closed a month this year.²

The municipalities in 1935 secured about one and a half million dollars of gasoline tax funds for use on city streets and a small share of liquor profits amounting to one-half million dollars was allocated to cities in the same year, according to Sowers.³ He says further:

Cities have enacted business license ordinances and special utility license taxes and transferred earnings of municipal enterprises to finance the general government operations, but these have been inadequate to make up the loss sustained in lower property taxes. Drastic reduction in budgets have been effected, the number of employees have been reduced fifteen per cent, salaries have been reduced and essential functions neglected. The current debt of cities appears to be increasing. Deficit financing, padded revenue estimates and the bonding for current expenses have resulted.⁴

¹Ibid.

²Arthur A. Anderson, "Basic Services Curtailed," Property Tax Limitation Laws, 1934, p. 76.

³Sowers, op. cit., p. 42.

⁴Ibid.

Martin makes a very favorable report on the tax situation in Washington. He says:

Today after seven years of property tax limitation, county government and its minor divisions are in excellent shape in the State of Washington. In 1932 there was levied for county government about nineteen million dollars. Of course, this amount was not collected due to heavy delinquency. In 1938, property tax levies for county purposes amounted to \$11,400,000, a difference of some 8 and one-half million dollars. The counties, however, were relieved of road construction, school equalization and miscellaneous items, and have less debts and interest, to the total of 7 million dollars per year. In addition they receive a share of the state liquor profits which puts them in just as good financial condition as they were before the passage of the tax limit law.

Our cities had some trouble in the early stages of the 40-mill tax limit law and their protest was rather noisy. The property tax levy for cities in 1932 was \$14,300,000 and in 1938 it was about \$3,300,000 less, but the legislature has increased the cities' share of our gasoline road money, liquor profits, etc., until their financial condition is sounder and healthier than before the passage of the law when some were facing bankruptcy.

Our public schools are in better financial shape than at any time in the state's history. In 1932 the levy against property for school purposes was \$29,000,000. The collection was only \$20,000,000 and the income from this and miscellaneous sources in 1933 totaled \$22,636,047. In the school year 1938 the school income was \$28,124,765, an increase of almost 30 per cent with attendance on the decline. In the year 1938 our common schools spent more money for current expenses than in any previous year.¹

In 1932, the total cost of all government in Washington was about \$90,000,000. The amount from property was slightly in excess of \$73,000,000--more than eighty per cent, but only \$51,000,000 of the property tax was collected.

In 1933, the property levy was \$66,500,000 and \$46,000,000 was collected.

A committee was appointed by the Washington Education Association in 1939 to study plans for the revision of the tax levies as a means of providing more substantially for the schools. Chisholm reports: "The major objective the committee had in mind is to lay a more substantial and a more equitable base for the support of the schools of the state, and for the support of other essential governmental activities."²

¹Statement by Gov. Clarence D. Martin, Washington, written to National Real Estate Tax Conference held in Washington, D. C., April 25-26, 1940.

²Leslie L. Chisholm, "General Tax Revision," The Bulletin of National Tax Association, XXVI, No. 9 (June, 1941), 263.

It is apparent that the reduction in the property taxes in Washington caused by the tax limitation law has not resulted in a decrease in the cost of government. It has resulted in greater state aid to schools, and to some extent, to municipalities. It has resulted in the reduction, and in some cases the elimination, of public services, although Governor Martin's report would indicate that there have been no serious results from any changes that have been necessary due to the property tax limitation law.

The 1939 legislature appropriated \$34,500,000 annually to school districts from the current state school fund, compared with \$32,500,000 for 1938 and 1939.¹ The 1941 legislature increased the state annual appropriation for schools to \$36,250,000.²

West Virginia

The Limitation

The present over-all tax limit in West Virginia was given approval at the general election on November 8, 1932. The limitation is a constitutional amendment which had passed the legislature³ by more than a two-thirds vote, and was submitted to the electorate at the general election. The full text of the amendment is given here:

Classes of property for taxation. Subject to the exceptions in this section contained, taxation shall be equal and uniform throughout the State, and all property, both real and personal, shall be taxed in proportion to its value to be ascertained as directed by law. No one species of property from which a tax may be collected shall be taxed higher than any other species of property of equal value, except that the aggregate of taxes assessed in any one year upon personal property employed exclusively in agriculture, including horticulture and grazing, products of agriculture as above defined, including livestock, while owned by the producer, and money, notes, bonds, bills and accounts receivable, stocks and other similar intangible personal property shall not exceed fifty cents on one hundred dollars of value thereon and upon all

¹State School Finance Legislation, 1939, compiled by Research Division, National Education Association, Washington, D. C., January, 1941.

²High Spots in State School Legislation, 1941, compiled by Research Division, National Education Association, Washington, D. C., April, 1942.

³Acts of Legislature of West Virginia (Extra sess., 1932), House Joint Resolution No. 3, sec. 1, p. 72.

property owned, used and occupied by the owner thereof exclusively for residential purposes and upon farms occupied and cultivated by their owners or bona fide tenants, one dollar; and upon all other property situated outside of municipalities, one dollar and fifty cents; and upon all other such property situated within municipalities, two dollars; and the Legislature shall further provide by general law, for increasing the maximum rates, authorized to be fixed by the different levying bodies upon all classes of property, by submitting the question to the voters of the taxing units affected, but no increase shall be effective unless at least sixty per cent of the qualified voters shall favor such increase, and such increase shall not continue for a longer period than three years at any one time, and shall never exceed by more than fifty per cent the maximum rate herein provided and prescribed by law; and the revenue derived from this source shall be apportioned by the Legislature among the levying units of the State in proportion to the levy laid in said units upon real and other personal property; but property used for educational, literary, scientific, religious or charitable purposes, all cemeteries, public property, the personal property, including livestock, employed exclusively in agriculture as above defined and the products of agriculture as so defined while owned by the producers may by law be exempted from taxation. The Legislature shall have authority to tax privileges, franchises, and incomes of persons and corporations and to classify and graduate the tax on all incomes according to the amount thereof and to exempt from taxation, incomes below a minimum to be fixed from time to time, and such revenues as may be derived from such tax may be appropriated as the Legislature may provide. After the year nineteen hundred thirty-three, the rate of the State tax upon property shall not exceed one cent upon the hundred dollars valuation except to pay the principal and interest of bonded indebtedness of the state now existing.¹

Two of the authorities on taxation from the West Virginia University characterize this amendment as something new in the field of public finance. They list five things which the amendment attempted to do:

First, to group all general property into four classes as follows:

Class I. All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture (including livestock) while owned by the producer; all money and all notes, bonds, bills and accounts receivable, stocks and any other intangible personal property;

Class II. All property owned, used and occupied by the owner exclusively for residential purposes; all farms, including land used for horticulture and grazing, occupied and cultivated by their owners or bona fide tenants;

Class III. All real and personal property situated outside of municipalities, exclusive of Classes I and II;

¹Constitution of West Virginia, Article X, sec. 1.
(As amended November 8, 1932.)

Class IV. All real and personal property situated inside of municipalities, exclusive of Classes I and II.

Second, to place a "tax limit" (a maximum) on each class as follows: fifty cents on each one hundred dollars assessed valuation on Class I property, one dollar on Class II property, one dollar and fifty cents on Class III property, and two dollars on Class IV property.

Third, to permit an increase of the "tax limits" up to fifty per cent of the maximum rate, provided that sixty per cent of the qualified voters gave their assent.

Fourth, to permit a graduated income tax.

Fifth, to limit the state property tax for general revenue purposes to one cent per one hundred dollars assessed valuation.¹

From these provisions of the West Virginia limitation, it is evident that this state had given consideration not only to a property tax limitation, but to a fair classification of property, and to the possibility of the enactment of other taxes for the purpose of replacing the loss in revenue from the property tax.

It is noteworthy that the West Virginia amendment made no provision concerning debt service charges of local governmental units. The concern over this situation and the attempts to meet debt service payments are described in the following statements:

It was apparently the intention of the sponsors that the tax limitations would apply only to levies for current expenses. This omission caused grave difficulties later on when the Supreme Court decided that levies for debt service must come within the limitation and several special sessions of the legislature were necessitated before the matter was finally settled. In the meantime local governments were thrown into the greatest confusion and in some cities were practically suspended. Following the decision of the Supreme Court that levies for debt service must fall under the limitation, an extraordinary session of the legislature was convened in November 1933 and enacted a law which provided that the state could assume payment of local debts and thus leave the local levies for current purposes. The Supreme Court declared that this act was unconstitutional on the ground that the constitution expressly forbids the state from assuming local debts. Another special session was called and an act was passed which provided that seventy per cent of the limited levy should be used for current expenses and thirty per cent for the payment of debt service. This act was upheld by the court in February, 1934.²

¹John F. Sly and George A. Shipman, "Tax Limitation in West Virginia," Property Tax Limitation Laws (Chicago: Public Administration Service, 1936), Publication No. 36, p. 80.

²Sowers, op. cit., p. 43.

Even though attempts were made to carry on successfully the operation of local government, there was yet no definite plan for paying debt service charges. On November, 1933, the governor called an extraordinary session of the legislature to consider ways and means of meeting this issue. Two plans were presented: (1) the state might provide the funds for paying local debt services and release local levies for current purposes, or (2) the state might undertake to finance the essential operations of local government, wherever local collections were impossible.¹ The legislature chose the first alternative. The Supreme Court, however, in the case of Berry v. Fox,² held that the "payment of the principal and interest upon local road and school bonds from state-collected indirect taxes was unconstitutional."³

Legislation was then passed to adjust the tax rate allocation to provide for both operation and debt service. It provided that seventy per cent of the limited levy be allocated for the support of local government, and thirty per cent be assigned for payment of debt service. If the thirty per cent proved insufficient to pay the principal and interest upon obligations incurred before the passage of the tax limitation amendment, and if the commissioners found, upon review of the local tax estimate, that the entire seventy per cent was needed for necessary governmental expenditures, the local unit could then exceed the maximum set by the amendment to the extent necessary to meet debt service requirements.⁴ This was upheld by the Supreme Court in the case of Wilson v. Clay County Court.⁵

Administration of the Limitation

Within the limits prescribed by law, the local taxing authorities have authority to levy the property tax for the

¹Sly and Shipman, op. cit., p. 83.

²Berry v. Fox, Supreme Court of Appeals of West Virginia, 7861 (1933).

³Sly and Shipmen, op. cit., p. 83.

⁴West Virginia Acts (2d Extra Sess., 1933), chaps. 66 and 68.

⁵Wilson v. Clay County Court, 175 S.E. 224, sec. 13, (1934).

purpose of operation and payment of debt service charges. Each local levying body "shall hold a session on the first Tuesday in August for the purpose of deciding upon the tax rate to be levied."¹ The county court is authorized to ascertain the fiscal condition of the county, and any taxpayer may make complaint of unfair tax levies before the county court.² The county court then has authority to make the tax levy within the following limits:

For all county purposes on property in Class I, the rate shall not exceed 9.4¢; on property in Class II, the rate shall not exceed 18.7¢; and on property in Classes III and IV the rate shall not exceed 37.5¢, on \$100.00 valuation.³

Copies of the allocation of the tax rate shall be sent to commissioners, state auditor, and the assessor, and the office for collection of taxes. The Board of Education of the county follows the same procedure as the county court in levying the tax rate for school districts.⁴

The local levying body upon petition of five per cent of the qualified voters, voting at the last general election, may hold an election to increase the levy.⁵

Results of the Limitation

As a result of the tax limitation in West Virginia, there was an immediate loss in revenue from the property tax for the first year of approximately twenty million dollars, not including debt service. The legislature was called in session in January, 1933, but since the new administration took office the following March 4, a joint legislative committee was appointed to study the situation and prepare legislation to meet the financial crisis. A special session of the legislature was called in April to consider the plan which this committee proposed. The following four steps were taken by this legislature:

First, the state assumed control and maintenance of all county and district roads, which had previously accounted for approximately half of the total expenditures

¹ West Virginia Acts, 1932, chap. 38, Article VIII.

² Ibid., chap. 38, sec. 7.

³ Ibid.

⁴ Ibid., sec. 9.

⁵ Ibid., sec. 15.

of the counties.

Second, state aid for schools was increased from about two to nearly six million dollars annually, and an attempt was made to assure continuous operation by spreading the aid over a period of four months;

Third, in order to reduce administrative costs and to permit a more efficient utilization of school property and equipment, the county was made the school unit; and

Fourth, a general revenue bill, based upon the old "gross sales tax," expanded sales, production and privilege taxes more than four-fold.¹

At least one of these provisions, that of making the county the school unit, was a significant change in school districts and made the county the unit for taxation and administration. The number of school districts was reduced from 398 to 55.²

Sly lists some of the consequences of the West Virginia tax limitation amendment as follows:

1. The probability of further litigation under the amendment centers around the difference in treatment accorded owners as apart from renters, and accorded to agricultural uses as apart from other uses of property.

2. The continuous adjustment of indirect taxation to avoid penalizing economic activity, and to keep the tax burden as nearly as possible on a capacity basis.

3. An increasing pressure upon the "maximum" to exceed the limitation where local revenue is insufficient to satisfy demands for service, through raising assessed valuations, new forms of local taxes, excessive "delinquency allowances" and refunding ventures.

4. A steady pressure on the part of taxing units to compel an increase in their allotted share of the levies.

5. Either a severe curtailment in all capital investments and a consequent falling off in public works projects, or the introduction of new forms of finance that will receive judicial approval under the new restrictions.

6. The increase of state supervision over local units.³

Martin contrasted municipal services in West Virginia with those in Kentucky and Virginia and reports:

Cities, counties, and school districts in West Virginia

¹Sly and Shipman, op. cit., p. 82.

²Sowers, op. cit., p. 45.

³John F. Sly, "By-products of Tax Limitation in West Virginia," National Municipal Review, November, 1935, p. 611.

continued operation with reduced personnel paid at lower salaries. In numerous cities welfare departments were dropped, health services continued on a limited basis only, city control of traffic was relinquished, and the utility services, including fire protection, were greatly restricted.¹

The 1939 legislature appropriated \$13,300,000 to schools, \$150,000 for free textbooks, and \$750,000 from earmarked sources of the General School Fund.² In 1941, the legislature increased the annual appropriation to schools to \$15,125,000, and reallocated the tax levy to permit districts to use for general current expenses that portion of the tax levy no longer required for retiring debts incurred prior to the adoption of the tax limitation amendment.³ These amounts are considerably more than the annual appropriation to schools of \$9,904,340 in 1933-34.⁴

Holmes reports that in 1932 the total property tax receipts were \$50,600,000 and in 1936, were \$26,000,000, a reduction of forty-nine per cent.⁵

In a review of property tax limitation in West Virginia over a period of seven years, Haygood found that the limitation in that state had produced serious results in public services. His conclusions are:

1. Tax limits cure few if any of the evils they are expected to remedy.

2. Public services were severely crippled by the amendment, and have not regained their former position in some important respects.

3. West Virginia's tax system, after seven years of tax limits, is one of the most regressive in the country. While sales taxes yield nearly half of the state's revenues, income,

¹James W. Martin, "Tax Limitation - A Dangerous Device," National Municipal Review, XXVIII (September, 1939), 619.

²State School Finance Legislation 1939, compiled by Research Division, National Education Association (Washington, D. C., January, 1941).

³High Spots in State School Legislation 1941, compiled by Research Division, National Education Association (Washington, D. C., April, 1942).

⁴"State Support of Public Schools in West Virginia," School Finance Systems, Second pamphlet, Series 1, Research Division, National Education Association (Washington, D. C., January, 1935).

⁵Lawrence G. Holmes, report given at National Conference on Real Estate Taxation, Washington, D. C., April 25, 1940. Newspaper release.

inheritance or other levies, conforming with the principle of ability to pay, form only a small portion of the revenue system.

4. There has developed a widespread feeling apparently, that only parts of the amendment were intended to be enforced. Certainly two major provisions were (a) to limit property tax rates, and (b) to regulate methods by which assessments were to be uniformly made. The first of these has been carefully and rigidly observed in practice. Perhaps there is not a single levying body in West Virginia which has not given complete cooperation to realize the purpose of the law. However, the second provision is overlooked as often as possible, it would seem.¹

Some Results of Property Tax Limitations

It is not easy to administer a tax limitation without placing a heavier burden on some governmental function than on the others. In Michigan and Ohio, for instance, tax rates for municipal expenditures are not limited unless provided for by the charter of the municipality. In some of the other states, tax rates for municipal revenue are under the limit. The following report of a group of tax experts makes clear their position concerning the effect of tax limits on municipalities:

Declaring that property tax limitations were "a threat to the very existence of municipal government," the members of the American Municipal Association meeting in Chicago in October, 1934, voiced their opinions strongly against the movement. "If the tax limitation proposals actually would restrict government expenditures," the resolution read, "they would cause breakdowns in local government functions, and in consequence, cause harm to the very citizens whom the advocates of the proposals profess a desire to help."²

Bird shows the effect in several states on municipal credit where limits have been placed too low and concludes that "one of the most serious consequences of tax rate limits is their detrimental effect on municipal credit."³

Most writers on the subject of over-all tax limits are agreed that enactment of drastic limitations without at the same

¹T. F. Haygood, "Over-All Tax Limits in West Virginia," Property Taxes, Symposium (New York: Tax Policy League, Inc., 1939), p. 54.

²Report of American Municipal Association Meeting, The Tax Magazine, November, 1934, p. 614.

³Frederick L. Bird, "The Effect of Tax Rate Limits on Municipal Credit," National Municipal Review, November, 1935, p. 607.

time providing for replacement revenue, almost always results in serious immediate financial difficulty. In some states, the burden has been heaviest on municipalities, in others it has been heaviest on school districts, and in most states where limitations on the tax rate have been passed, there has been a crisis in all the local governmental units. Writing on this subject, the then president of the National Association of Assessing Officers said:

Reasonable statutory limitations probably will always find a place in legislative enactments, but constitutional over-all limitations involving drastic and precipitate reductions, will surely be regretted by any state incorporating them in its constitution.¹

Zangerle² thinks that small property owners will pay more, not less, for inevitably replacement taxes will be passed which will affect small taxpayers even more than the property tax did.

In discussing the advisability of the adoption of a rigid tax limit in Illinois, Leland said:

The history of past limitation and the experience of other states are available to Illinois So clear is the evidence against the adoption of a constitutional provision limiting property taxation to one or one and one-half per cent of its value that it is difficult to see how intelligent people, possessed of the facts, can argue in favor of it.³

Other writers point to the fact that limiting tax rates results in the elimination of services,⁴ and that a "maximum limitation of, say, two per cent, actually results in a more drastic limit on some governmental units."⁵

Most writers on the subject indicate that instead of effecting a permanent reduction in tax revenue, tax limitations have more generally resulted in a broadening of the tax base and the enactment of new taxes. Jacoby reported that:

In 1937 retail sales tax returns for state fiscal systems produced \$470,000,000 and ranked second only to gasoline

¹Zangerle, op. cit., p. 3.

²Ibid.

³Simeon E. Leland, "Probable Effects of Tax Limitation in Illinois," National Municipal Review, November, 1935, p. 621.

⁴James W. Martin, "Tax Limitation--A Dangerous Device," ibid., September, 1939, p. 619.

⁵Editorial, "Tax Limitation with a Vengeance," ibid., October, 1935.

taxes as a source of state tax revenue. Although levied in only half the states, they apparently produced about seventeen per cent of total tax revenues of all states in that year.¹

Wueller² divides property owners into three classes: (1) home owners, (2) investors in real estate, and (3) speculators in real estate. He thinks that "all these groups have benefited from over-all tax limitations and the recent shift of emphasis from property to sales and other tax bases."

One of the results of an over-all limit on the property tax is the pressure which will be exerted toward borrowing. The extent of this pressure will depend upon several factors, Hillhouse and Welch³ list three factors which, if contained in the limitation, will encourage borrowing:

1. A low over-all rate.
2. Permission to service outside the tax rate limit debts which are incurred after the limit is adopted.
3. No provision for exceeding the limit by special authorization.

They studied the effect which tax limits have had on borrowing in three states which have had long enough experiences under tax limits to bear out a conclusion. These states are: Rhode Island, which has had a moderately low rate since 1878; Oklahoma, with an over-all limit since 1907; and Ohio, which has been operating under an over-all limit since 1911.

They found that the over-all limit had greatly increased borrowing in the State of Rhode Island, but had had little, if any, effect in the State of Oklahoma. It should be pointed out that the rate limit in Oklahoma from 1907 to 1933 was 3.15 per cent, which was probably sufficiently high as to make borrowing unnecessary. In Ohio, the tax limit encouraged borrowing and resulted in large deficits incurred from the operation of local governments.

¹Neil Herman Jacoby, Retail Sales Taxation (New York: Commerce Clearing House, Inc., 1938), p. 219.

²Paul H. Wueller, "Tax Limitation in West Virginia," Bulletin of National Tax Association, XXI (May, 1936), 229.

³A. Miller Hillhouse and Ronald B. Welch, Tax Limits Appraised (Chicago: Public Administration Service, 1937), Publication No. 55, p. 23.

Miller¹ shows the limitation on the tax rate in seven states, and the decrease in the property tax from 1932-33 to 1938-39. One of his tables is given here as Table 5.

TABLE 5

THE EFFECT OF TAX RATE LIMITATION AS SHOWN IN THE
DECREASE IN THE PROPERTY TAX IN SEVEN STATES

State	Enact- ment of Limit	Limit in Mills	Amount of Property Tax (Thousands)			Per Cent Decrease 1933-39
			1932-33	1935-36	1938-39	
Indiana	1933 1937	20-12.5 15-10	\$140,094	\$ 88,727	\$ 99,960	29
Michigan	1932	15	248,769	213,567	168,422	32
New Mexico	1933	20	10,225	7,806	7,508	27
Ohio	1934	10	281,431	180,466	188,425	33
Oklahoma	1933	17	52,658	43,600	49,323	6
Washing- ton	1932	20 ^a	56,954	52,915	42,570	25
West Virginia	1932	5-20 ^b	50,050	26,052	26,801	46

^aWashington may levy forty mills on fifty per cent valuation.

^bWest Virginia divides its property into four classifications.

The data presented by Miller reveal that West Virginia suffers by far the greatest percentage reduction in property taxes, while Oklahoma had the least. His data show beyond any doubt that the property tax limits have been effective in contributing to lower receipts in these states from the property tax.

Indicative of the broadening of the tax base in the adoption of the new taxes, Disney² reported that, in 1940, thirty-four

¹Charles S. Miller, "The Effect of Overall Limitations, Homestead Exemptions, and New Revenue Sources Upon Property Taxes," Bulletin of National Tax Association, XXVI (May, 1941), 242.

²Wesley E. Disney, "Current Tax Problems," The Tax Magazine, XVIII, No. 5 (May, 1940), 285.

states had income taxes, twenty-three states imposed sales taxes, twenty-six states taxed tobacco, eighteen taxed liquor, and twenty-seven states required dealers to purchase licenses.

Mort and Russer¹ also reported that, in 1935, twenty states levied state property taxes for schools, twenty-one levied state income taxes of which twelve devoted a portion to schools. Twenty-four states devoted all or a portion of the proceeds of a sales tax, either general or special, to schools. Severance and inheritance taxes were also employed by states for the support of schools.

Authoritative Opinions on Property Tax Limitations

Some of the conclusions on property tax limitations advanced by Leland² are:

1. That tax-limitation laws have not limited property taxes.
2. That they have not accomplished the reformation of the state-local tax system, at least not yet.
3. That they have not produced economy in government, nor are they either a logical or constructive avenue of approach to that goal.
4. That where tried, this scheme has so frequently curtailed governmental service and produced fiscal chaos that the plan has been permanently discredited.

The conclusion is inescapable that the tax-limitation plan is an unintelligent and ineffective method of accomplishing desirable results. It is negative and selfish, rather than constructive and in the social interest.

Sowers³ lists ten results of tax limitation in his study of seven⁴ states:

1. It has resulted in shifting a portion of the burden borne by real property owners to other groups.

¹Paul R. Mort and Walter C. Russer, Public School Finance (New York: McGraw-Hill Book Co., 1941).

²Simeon E. Leland, "Alternatives: A Constructive Outlook," Property Tax Limitation Laws (Chicago: Public Administration Service, 1934), Publication No. 36, p. 87.

³Sowers, op. cit., pp. 59-61.

⁴Indiana, Michigan, New Mexico, Ohio, Oklahoma, Washington, and West Virginia.

2. Tax limitation has not materially reduced the total volume of taxation, nor curtailed expenditures.
3. It has not resulted in economy of operation, nor has it been effective in controlling expenditures.
4. It has not resulted in tax reform.
5. It has resulted in a marked reduction or abolition of the state tax on property for state purposes.
6. The schools have received large allocations of the state collected revenues and in general have not suffered greatly as a result of tax limitation.
7. Municipalities have been most seriously affected by tax limitation.
8. Sales taxes have been relied upon in every state to furnish the new replacement revenues.
9. Chief beneficiaries have been the large property owners, non-resident property owners and corporations.
10. The plan is an unintelligent and ineffective effort to accomplish desirable results.

Hillhouse and Welch¹ list seven conclusions in their appraisal of tax limits:

1. An over-all tax rate limit of the type advocated by the National Association of Real Estate Boards will, if adopted, result in a substantial immediate reduction in real estate taxes, but the proposal will not bring about important governmental economies or lasting reductions in total tax burdens.
2. A retail sales or gross income tax has usually been adopted as the major replacement revenue.
3. Although replacement revenues will eventually be found, the immediate effect of drastic over-all limitation will be disruption and substantial curtailment of essential governmental services.
4. Over-all tax limitation seriously weakens the credit of municipalities and effectively destroys a pay-as-you-go policy.
5. A constitutional over-all limitation would deprive the fiscal system of the flexibility required for adaptation to changing social and economic conditions.
6. A uniform, inflexible limit, such as proposed by the National Association of Real Estate Boards, fails to allow for differences in community needs and community resources.

¹Hillhouse and Welch, op. cit., p. 1.

7. The tax limitation movement is essentially a blind revolt of an articulate group of property owners and real estate operators aimed at a single objective--relief from real estate taxes at any cost.

In a report on the results of over-all tax limitations from the case studies made in Illinois, Ohio, Michigan, and Indiana, the following conclusions are listed as "self-evident":¹

1. Many units of local government under over-all limitation are not living within their income and are unable to do so without abandoning civilized standards of local government.

2. All sorts of unsound fiscal expedients are being adopted to obtain sufficient funds for current operation.

3. Where substantial curtailments have been made in municipal service, in many instances they have been brought about by questionable economies and lower standards of operation and maintenance.

4. Replacement revenue through state aid has generally proved insufficient and has brought a whole train of serious fiscal problems in its wake. Control over the expenditures of such moneys is not the least of these.

5. Financial independence of local units of government has been destroyed and only the shell of self-government remains.

In a report to the National Conference on Real Estate Taxation, in 1940, Holmes presented his findings on the property tax situation in eight states, Indiana, Michigan, New Mexico, Ohio, Oklahoma, Rhode Island, Washington, and West Virginia. He secured comparable data for only seven of these states. The conclusions drawn from his ten-year study are:

1. Limitation reduces property taxes and prevents increases. A sharp decrease of as much as fifty per cent in the total of property taxes is noted in the first year in which the limitation is effective. In Rhode Island, where limitation became effective prior to 1900, property taxes have been stable throughout the ten-year period with only minor fluctuations which reflect general economic conditions and increases and decreases of property values. Reductions in property taxes range from fifty-nine to forty-nine per cent below the total prior to the adoption of limitation.

2. Limitation forces economy. Of the seven limited states on which complete data are available, three show a

¹Eighth Report of the New York State Commission for the Revision of the Tax Laws, "Experience with Over-all Tax Limitation Laws," Legislative Document No. 61 (Albany: J. B. Lyon Co., 1937), p. 47.

decrease in the total cost of government, in contrast to states which do not have over-all limitation. The decrease is even more noteworthy in the 1930-40 decade because of the tremendous increase in the number and cost of government services. In spite of the addition of new functions, especially those pertaining to social welfare, it is noteworthy that in states where a limit has been placed on property taxes it has been possible to assume these new functions without increasing the total cost.

3. Limitation forces efficiency in government. In Indiana, in 1932, twenty-three taxes in addition to property taxes provided revenues for government: in 1938 only nineteen such sources are listed. Much of this result has been achieved by greater efficiency in government, thereby reducing the cost so that a very small increase in the levies against the various sources has been necessary.

4. Limitation forces a broadening of the tax base. Consonant with the theory that all forms of wealth should contribute pro rata to the cost of government, there is discernible in the limited states an increase in the number of sources of revenue. In 1931, Washington was taking seven sources other than property. In 1939, twenty forms of wealth in addition to property were contributing to the cost. Also noteworthy is the fact that in certain states new sources of taxation have not been necessary.¹

Summary

It is apparent from the literature on property tax limitations that the following statements are merited.

1. Municipal credit is impaired in those instances where the property tax limit is placed too low.

2. There is rather general agreement that limitations are a threat to the existence of local government.

3. Property tax limitations are temporary, rather than permanent, limitations of the cost of government. Other sources of taxation are resorted to for replacement revenues.

4. Unless replacement revenues are provided for in advance, a property tax limitation creates serious immediate financial difficulties.

5. Small property owners will eventually pay a larger share in replacement taxes, as a result of property tax limits.

6. Some governmental units will likely suffer an unfair share of the tax returns under a rigid limitation.

7. A rigid property tax limit results in broadening the

¹Lawrence G. Holmes, report given at National Conference on Real Estate Taxation, Washington, D. C., April 25, 1940. Newspaper release.

tax base.

8. Local governments will be encouraged to borrow under a tax limitation with a low rate.

9. Property tax limitations have often failed to accomplish reforms in the taxing systems which are often proposed by proponents of limitations.

10. Property tax limitations do not always produce economy in government.

11. Property tax limits are usually entered into blindly, without a consideration of the reduction in services which will follow.

12. Retail sales or gross income taxes are the most common replacement taxes.

13. Property tax limits result in the reduction or elimination of the state tax on property for the purpose of carrying on state government.

14. Property tax limitations result in an immediate reduction in property taxes.

15. Property tax limitations result in increased state aid to the local units of governments.

16. Increased state aid, resulting from the property tax limitation, encourages greater state control.

CHAPTER IV

OVER-ALL PROPERTY TAX LIMITATION IN MICHIGAN

Introduction

The State of Michigan had no experience with an over-all property tax rate limit prior to 1932. The property tax had been the main source of support for local and state governments throughout the entire history of the state.

In 1932, a crisis in government financing led to the adoption of the property tax limit. Sentiment for relief from high property taxes grew during 1931 and 1932, and, led by the State Grange with the assistance of the Michigan Manufacturers' Association, a movement was begun which culminated in the presentation of a petition before the electorate in the November, 1932, election. While a few organizations in the state actively supported placing a limit on the property tax rate, others were active in their opposition to such a movement. Anderson lists some of the groups opposed to the limit being placed on the property tax rate:

Organizations that actively opposed placing any limit on the property tax were the Michigan Education Association, the Michigan Municipal League, the State Tax Commission, the Parent-Teacher organizations of the state, and most of the Women's Clubs Nearly all of the daily papers of the state were outspoken against the proposed limitation.¹

The Limitation

The over-all property tax limitation in Michigan was adopted at the general election in November, 1932. By a very narrow margin the people voted favorably on the following amendment to the state constitution:

Sec. 21. The total amount of taxes assessed against

¹George R. Anderson, "Effects of Property Tax Limitation Law Upon School Support in Michigan," (Unpublished Master's dissertation, Department of Education, University of Chicago, 1939), p. 5.

property for all purposes in any one year shall not exceed one and one-half per cent of the assessed valuation of said property, except taxes levied for the payment of interest and principal on obligations heretofore incurred, which sums shall be separately assessed in all cases: Provided, That this limitation may be increased for a period of not to exceed five years at any one time to not more than a total of five per cent of the assessed valuation, by a two-thirds vote of the electors of any assessing district, or when provided for by the charter of a municipal corporation: Provided further, That this limitation shall not apply to taxes levied in the year 1932.¹

The number of votes in favor of the amendment was 671,124, while 641,962 votes were registered against the proposal. This narrow margin of approximately two per cent of the total votes cast on the proposition decided an issue which at once created a major crisis in the finances of local units of government as well as a crisis in the financing of the state government.

It is noteworthy that the limitation amendment did not provide for any replacement revenue. The matter of providing for new taxes with which to replace the loss in property tax revenue for financing the operation of state and local units of government was left entirely with the legislature.

The proponents of the limitation in Michigan had in mind two objectives--shifting the tax burden from property to other forms of taxation, and forcing greater economy in government. The only issue presented to the public in the campaign, however, was relief from the excessive burden on property. No form of replacement taxation was an issue in the campaign for the adoption of the property tax limitation. In the 1931 session of the legislature, there was an attempt made to relieve the burden placed on property taxes through a consideration of the adoption of an income tax, but the legislature did not take action to adopt one.

The adoption of the over-all limitation on the property tax rate, however, acted as a bar to the adoption of a personal income tax in Michigan, due to the legal opinions, holding that income on property under the statute is property. This effect was one which was not anticipated by sponsors of the over-all limitation, since one way to broaden the tax base would be through an income tax. Considering income as property, however, would automatically place the income tax under the limitation of fifteen mills.

¹Constitution of Michigan, Article X, sec. 21.

There are three exceptions written into the Michigan over-all limitation law which made it more elastic than the limitation laws in some of the other states:

1. The constitutional amendment provides that taxes for the payment of principal and interest on obligations heretofore incurred were to be outside the limitation. The legislature defined "heretofore incurred" as referring to obligations incurred prior to December 8, 1932.¹

2. The tax rate may be increased beyond the limit for a period not to exceed five years and not in excess of five per cent (fifty mills) by a two-thirds majority vote of the electors voting on the proposition.

3. Municipal levies are not under the limitation unless the charter of the municipality so provides.

Although the amendment itself made no provision for an allocation of minimum rates to the various taxing units, the Property Tax Limitation Act, which was passed by the legislature in April, 1933, provided for the following minimum tax rates: "for the county, three mills; for school districts, four mills."² In addition, one tenth of one mill was allocated to municipal corporations as follows:

Sec. 11 (b). The commission shall allocate from the net limitation tax rate one-tenth of one mill for each municipal corporation for which there are provisions in its charter or general laws fixing maximum limits on its power to levy taxes against property for such purposes as may be authorized by law to be supported under the municipal budget.³

The act was later revised to provide that a minimum of one mill be allocated to the township, and two mills to port districts, where established, or that might be established in the future.⁴ The other mills were not allocated by the legislature. The county tax commission, created under the terms of the act, was authorized by the legislature to divide the balance of the

¹Public Acts of Michigan, 1933, No. 62, sec. 3.

²Ibid., sec. 11 (e).

³Ibid., sec. 11 (b).

⁴Public Acts of Michigan, 1934 Ex. Sess., No. 30, sec.

fifteen mills among the several taxing units after due consideration of their needs.¹

The wording of the amendment, with its various exceptions, brought up several questions. At first, there was considerable concern among the assessing districts as to whether the vote necessary to increase the tax rate were two-thirds of all the electors in the district, or whether the provision referred to two-thirds of the electors voting on the proposition. The Supreme Court held that "two-thirds of the electors" was two-thirds of those present and voting.²

Another question which necessitated a Supreme Court ruling was, "What is meant by the clause in the amendment, 'or when provided for by the charter of a municipal corporation'?" One of the first issues to be decided by the courts was whether the tax levy for municipal expenditures was to be included in the fifteen mill limit. The Supreme Court of Michigan decided that the tax rate for municipal expenditures was not limited by the amendment in cities where charters already empower them to levy a tax for municipal purposes in excess of the amount which the city might levy under the terms of the 1932 amendment, unless the electors of the municipality took positive action to place the municipal tax rate within the fifteen mill limit.³

In the case before the court, the question was:

Does the 1932 constitutional amendment limit the annual tax assessment for state, county, school, and city purposes to one and one-half per cent in the city of Pontiac (except taxes levied to meet existing indebtedness); or does the city, because of the exception contained in the above quoted phrase, still have power to tax for municipal purposes to the maximum charter limitation of two per cent?⁴

In deciding this case the court said:

We think the amendment must be construed as though it read: "The total amount of taxes assessed against property for all purposes in any one year shall not exceed one and one-half per cent of the assessed valuation of said property except taxes levied for the payment of interest and principal

¹Ibid., 1933, No. 62, sec. 11 (f).

²Supreme Court Decisions, 262 Mich. 699.

³School District of City of Pontiac v. City of Pontiac, 262 Michigan 338, 247 N.W. 474.

⁴Ibid.

on obligations heretofore incurred, which sums shall be separately assessed in all cases; provided, that this limitation may be increased for a period of not to exceed five years at any one time, to not more than a total of five per cent of the assessed valuation, by a two-thirds vote of the electors of any assessing district, or (that this limitation may be increased) when provided for by the (present or future) charter of a municipal corporation; provided further, that this limitation shall not apply to taxes levied in the year 1932."¹

In other words, the fifteen mill limitation was construed to apply to all governmental units, exclusive of incorporated cities or villages already having limitations on their tax rates, unless such cities or villages should at a later date vote to amend their charters to come under the limitation.

Since all cities and villages in the state had tax limits in their charters, the effect of this decision was to exclude municipalities from the operation of the limitation.² Only eleven cities have so voted, while nine cities have voted against such a proposal, and the remaining 452 cities and villages have never raised the question.³

Administration of the Limitation

The Property Tax Limitation Act passed in 1933 provided the administrative machinery necessary for the functioning of the fifteen mill limitation amendment.⁴ This act provides for a county tax commission in each county, and prescribes the powers and duties of the commission.⁵ The commission, as created by this act, was composed of:

. . . . the county treasurer, the chairman of the board of auditors if there be such a board, and if not, the chairman of the finance or ways and means committee of the board of supervisors of the county, the county school commissioner, one member of a school board of a school district in the county maintaining twelve grades of school, who shall be selected by the judge or judges of probate of the county, except that in counties containing one or more municipal corporations having a population of fifteen thousand or over

¹Ibid.

²Smith, op. cit., p. 66.

³Schimmel, op. cit., p. 2.

⁴Public Acts of Michigan, 1933, No. 62.

⁵Ibid., sec. 5, 11.

according to the last United States census, such member shall be a member of a school board of a school district lying wholly or principally within one of such municipal corporations, and one member, not officially connected with any local unit, who shall be selected by the judge or judges of probate of the county.¹

The 1941 legislature passed an act which changes the composition of county tax commissions in certain counties as follows:

. . . . in counties having a population of 150,000 or less, together with one or more incorporated cities of 15,000 population or more, according to the last United States census, under the 15 mill limitation, said allocation board shall be composed of three members and the following provisions of this section shall govern. The members of said board shall be selected on or before the first Monday in May in each year and shall hold office for a term of one year. One of said members shall be the chairman of the finance committee of the board of supervisors of said county, provided said chairman is a resident of the rural area of said county. In the event that the chairman of the finance committee of the board of supervisors is not a resident of the rural area of said county, then, and in that event, said member shall be selected by the chairman of the board of supervisors from the membership of said finance committee residing in the rural area of said county. One member shall be selected by the legislative body of the largest incorporated city in said county according to the last United States census; and one member shall be selected by the school board or board of education of the largest school district in the county according to the last United States census.²

The statute provides for representation of the city commission on the county tax allocation board, in those counties having a population of 150,000 or less, and in which there are one or more cities of fifteen thousand population or more under the fifteen mill limitation. In all counties having no cities under the fifteen mill limitation, there is no change in the composition of the commission. The effect of reducing the number of members on the county tax commission will be to take from the county an overwhelming representation on the commission and to give equal representation to the county, the largest incorporated city under the fifteen mill limitation, and the largest school district within the county.

The powers and duties of the commission as defined by Act No. 62 of the Public Acts of 1933 and revised by Act No. 40 of the Public Acts of 1937 authorize the commission to examine

¹Public Acts of Michigan, 1933, No. 62, sec. 5.

²Public Acts of Michigan, 1941, No. 150, sec. 5.

the budgets and statements of the local units and to determine the tax rates, exclusive of debt service rates, which would be required according to the proposed budgets.¹ The commission must approve minimum tax rates of three mills for the county, four mills for school districts, one mill for the township, and two mills for port districts, where established.²

In some instances, the budgets of the local units may not require the minimum levy. In this case, the commission is instructed to change the minimum rate as follows:

. . . . Provided, That if the average tax rate levied for the operating purposes of any county or school district or township or port district for its last three fiscal years shall be less than such minimum tax rate, such average tax rate shall be the minimum tax rate allowed to such local unit: Provided further, That no local unit shall be allowed a tax rate in excess of what would be required according to its proposed budget.³

The county tax commission is authorized, after minimum rates are set, to divide the balance of the net limitation tax rate among the local units according to the following legal prescription:

. . . . after due consideration of the needs of the several local units, the importance to the public of functions of local units which might be curtailed, the need of local units for construction or repair of public works, the proposed or accomplished transfer of functions from one local unit to others, and any other facts or matters concerning the operations of local units which the board may deem relevant: Provided, That no local unit shall be allowed a tax rate in excess of what would be required according to its proposed budget.⁴

Each local unit of government--the county, the township, and the school district--must submit its annual budget to the county tax allocation board as a basis upon which the extra mills not allocated by the legislature may be apportioned. The county tax allocation board has no authority whatsoever over the budgets of the local governmental units, except as the budgets are affected by the tax levy. The matter of changing the local budgets must be left entirely to the school district, township, or the

¹Ibid., 1937, No. 40, sec. 11 (a). ²Ibid., sec. 11 (e).

³Public Acts of Michigan, 1933, No. 62, sec. 11 (e).

⁴Public Acts of Michigan, 1937, No. 40, sec. 11 (f).

county. If the budgets of the units of government under the limitation do not require a combined tax rate of fifteen mills, it is not within the power of the county tax commission to allocate the total fifteen mills.

In those counties including within their boundaries municipalities which are under the fifteen mill limitation, the tax rate on property within the municipality is divided among the municipality, the county, and the school district. The township rate is not levied within the city limits.

After the commission has taken action upon the allocation of the tax rate, the authorities of any local unit may revise their budget if it is found necessary to do so because of a decrease in their tax rate,¹ or they may appeal to the state tax commission, which has the power to reverse a decision of the county tax commission in the allocation of the net limitation tax rate.²

In some school districts, whose boundaries are not co-terminous with those of the city in which the district is located, a split tax rate may be declared, and still not violate the terms of the over-all limitation law.

Portions of the 1933 act which provides for the levy of a variable rate in certain school districts follow:

Sec. 1. Definitions. As used in this act:

- (a) The term "municipal corporation" shall mean a township, county, village or city.
- (b) The term "commission" shall mean the county tax commission created by the property tax limitation act, being act number sixty-two of the public acts of the regular session of nineteen hundred thirty-three.
- (c) The term "net limitation tax rate" shall mean the net limitation tax rate as determined according to the provisions of the aforesaid property tax limitation act.

Sec. 2. Tax rates in certain municipal school districts. In the case of any school district lying partly within and partly without the limits of a municipal corporation the following procedure shall be observed: The commission shall find, in accordance with the provisions of the property tax limitation act, the maximum tax rate which may be levied against all of the property lying within such school district. Such tax rate is hereinafter referred to as the "regular tax rate." Thereafter the commission shall find the maximum

¹Public Acts of Michigan, 1937, No. 40, sec. 11 (1).

²Ibid., sec. 17.

additional tax rate which fairly and reasonably is equivalent to and represents the additional annual value to the property lying within the boundaries of the municipal corporation resulting from the greater proximity of the school buildings and facilities to such property and the greater accessibility thereof, and not already reflected in assessed valuations. In no case shall the additional tax rate be such as to increase beyond the net limitation tax rate the total of all taxes levied against property within the limits of such municipal corporation, exclusive of rates levied for the payment of interest and principal on obligations incurred prior to December eight, nineteen hundred thirty-two, and rates levied pursuant to the provisions of the charter of such municipal corporation. The findings and order of the commission made and entered concerning the maximum tax rates of such school district shall specify both the maximum regular tax rate and the maximum additional tax rate computed as aforesaid.¹

A split rate has been levied in eleven school districts in Michigan. Among the schools included in this study, Ann Arbor, Lansing, and Kalamazoo have levied a variable tax rate in the school district.

To make clear the administration of a split tax rate, let us assume that a school district includes all of a given city area and a portion of the township area lying just outside the city. In allocating the fifteen mills, the county rate is first considered, due to the fact that it is the same on all property in the county. Suppose five mills is allocated to the county. In that case, we have ten mills to be divided between the township and the school district on property in that portion of the school district lying outside the city. If the township is allocated two mills, the remaining eight mills may be allocated to the schools. This will provide a total of fifteen mills on the property in the township. Now, if the county allocation board allocates the same millage to schools within the city, the combined school and county rates will be thirteen mills. No township tax is levied within the boundaries of the city. There are then two mills remaining which may be allocated to schools on property within the city. The law provides that, due to "greater proximity of the school buildings and facilities" to the city property, an additional school rate may be levied on property within the city. This additional rate in our assumed case could not be more than two mills. If such additional rate were declared, then a total of fifteen mills would be allocated on property in the school district lying within the city, as well as that outside

¹Public Acts of Michigan, 1933, No. 162, secs. 1 and 2.

the city. The levy of a variable rate usually is protested by the people within the city, the protest being based on the fact that they will pay a higher rate for school purposes than a property owner just outside the city but in the same school district. The children from both homes may attend the same school.

No case has been taken before the courts, but the Attorney General gave to the State Tax Commission in 1939 a ruling to the effect that a school district was acting within its authority established by statute when it levied a variable tax rate, if the total levy does not exceed the statutory limit of the state, or of the municipal corporation in which it is located.

The state tax commission was organized in 1927 to supercede the state tax department. The duties assigned the commission are those contained in Section 4 of the act:

Sec. 4. The state tax commission shall have general supervision of the administration of the tax laws of the state, and shall render such assistance and give such advice and counsel to the assessing officers of the state as they may deem necessary and essential to the proper administration of the laws governing assessments and the levying of taxes in this state. Said state tax commission shall gather each year, complete information relative to the assessment of property properly classified, the levy of taxes thereon and of the appraised value of the several classes of property exempt from taxation under the laws of this state, and such other information as said state tax commission shall deem to be of public interest.¹

The duties of the state tax commission have not been materially changed since 1927. After the adoption of the fifteen mill property tax limitation in 1932 and the creation of the county tax commission, the state tax commission was given the additional duty of hearing appeals in regard to the allocation of the tax rates as specified by the county tax commission, and were given power to revise such allocation.²

The allocations made by the county tax commissions have usually been made in a spirit of fairness to the local units of government. In general, the public has felt that the commissions have acted in good faith and have executed the duties assigned to them in an unbiased manner. In some counties, however, the schools and the townships have been affected most by the allocations made by the county tax commissions. It is surprising that

¹Public Acts of Michigan, 1927, No. 360, sec. 4.

²Ibid., 1937, No. 40, sec. 17.

this result is not more general in view of the composition of the commissions. The membership is composed largely of county officials. Even though two of the members are not elected officials of the county, they are appointed by a county official. (Although the legislature has recently passed a law¹ reducing the number of members on the commission to three in certain counties, this change will affect only three counties at this time.)

In those instances where the county tax commissions have not provided an equitable distribution of the tax rate, the county has usually received first consideration. Up to the present time, the chief reason given for extra millage for county government has been the welfare load which has been carried by the county. Within the past few months, this item in the county budget has been rapidly diminishing.

The state tax commission, on certain occasions, has decidedly favored granting an advantage to the county in the allocation of the fifteen mill tax rate. For two or three years after the limitation was adopted, the state tax commission, through its chairman, warned the taxing units in public county meetings that if appeals were made to the state tax commission by any of the local governmental units, the decision of the state tax commission would be given in favor of the county, provided the county could show that it needed more funds. The reasoning of the chairman of the commission was based upon the assumption that schools could appeal to the state legislature for aid, that township governments needed little revenue, and that the county could not secure aid from the legislature. The state commission took the position that county government must continue, even at the expense of closing schools. There is no doubt that this attitude of the state tax commission assisted the schools in bringing their case more forcefully before the legislature.

Results of the Limitation

The limitation on the property tax in Michigan established a maximum rate for operation purposes in school districts, townships, and the county at fifteen mills. Tax rates for debt service in any of the local taxing units, and tax rates for municipal purposes are not within the fifteen mill limit except in the

¹Public Acts of Michigan, 1941, No. 150.

eleven cities which have voted to place their tax rates under the limit.

The limitation first became effective on taxes levied in 1933, and at once created serious problems in the eighty-three counties, all of the townships and school districts, and the state government. School districts throughout the state found it necessary to meet the serious decline in revenue by the elimination of services and reductions in personnel and salaries, and, in many instances, the school term was shortened. The school building program in many districts has been greatly slowed down or stopped entirely. Practically the same situation resulted in the cities in which the municipal expenditures had been placed under the fifteen mill limitation with the other governmental functions.

In the counties and townships, it was also necessary to reduce salaries and eliminate services as a result of the limitation on the tax rate. The burden of providing relief to the many welfare cases was borne by the counties and townships, but the large share was carried by the counties. The state government, too, was faced with a serious crisis in meeting the operation costs of its departments and institutions.

One of the results of the property tax limitation in Michigan mentioned by Ford¹ was the abandonment by the state of its share of the property tax levy. The state tax rate levy declined from 3.4 mills in 1929 to 0.6 of one mill in 1933, and in 1935 the legislature abandoned the state tax on property entirely.

This action no doubt encouraged the proponents of abolishing the ad valorem system of taxation on real and personal property in favor of a tax on income to renew their efforts, since in 1936 the following proposal to amend the State Constitution was presented:

Sec. 3. No tax shall, from and after December 31, 1937, be assessed or levied by the state or by or for the benefit of any county, township, school district, city, village, or other political subdivision of the state upon real property, or tangible or intangible personal property, except for the payment of interest upon and principal of obligations heretofore incurred; nor shall any privilege, license or occupation tax, other than those now provided by law, be hereafter assessed or levied upon the ownership, possession or use of real property or tangible or intangible personal property.

¹Robert S. Ford, Recent Developments in the Michigan Tax Situation (Ann Arbor: Bureau of Government, University of Michigan, 1936), New Series Bulletin No. 4, p. 3.

Income from real and personal property may be taxed uniformly with income from other sources. The proceeds of all taxes upon incomes shall be distributed to the several counties, townships, school districts, cities, villages, and other political sub-divisions of the state, as may be provided by law.

This proposal was defeated, however, and the tax on real property, as limited by the 1932 amendment, continued as one source of revenue for counties, townships, school districts, and municipal governments. The state government relinquished its share of the fifteen mill property tax in favor of the local units. This of course necessitated obtaining additional revenue from other sources.

Ford reported on the state property tax levy, the per cent of the levy collected currently, the per cent of the current levy contributed by collection of delinquent taxes, and the per cent the total tax collection was of the current tax levy, for a thirteen-year period, 1923 to 1935. These data are shown in Table 6.

TABLE 6
STATE PROPERTY TAX (MICHIGAN)--COLLECTIONS
AND DELINQUENCIES^a

Fiscal Year Ended June 30	Total Property Tax Levy ^b	Per Cent of Levy Collected Currently	Per Cent of Current Levy Contributed by Delinquent Collection ^c	Per Cent of Total Tax Collection to Levy
1923	\$ 17,300,844	91.3	8.9	100.2
1924	16,500,000	90.6	10.1	100.7
1925	14,500,000	90.0	13.8	103.8
1926	17,800,000	89.4	10.5	99.9
1927	17,800,000	82.9	11.7	94.6
1928	24,500,000	85.6	13.6	99.2
1929	20,500,000	78.4	18.0	96.4
1930	29,500,000	77.6	15.8	93.4
1931	29,500,000	71.9	20.1	92.0
1932	29,000,000	63.8	20.8	84.6
1933	23,487,979	38.0	11.1	49.1
1934	3,500,000	49.4	188.3	238.2
1935	3,500,000	66.6	245.7	312.4

^aFord, op. cit., p. 14.

^bThe tax collections for any fiscal year ending June 30th are made from the levy of the preceding calendar year. The amount of the annual levy is reported by the State Tax Commission on a calendar year basis.

^cIncludes penalties and interest.

Replacement Revenues

The 1933 session of the legislature was faced with the problem of providing revenue to replace in part or in full the revenue lost with the passage of the limitation amendment. As a means of meeting the financial situation, the legislature in June of 1933 enacted a three per cent tax on retail sales which was apportioned among several functions as follows:

Sec. 25. All sums of money received and collected under the provisions of this act shall be deposited by the board in the state treasury to the credit of the sales tax fund hereby authorized to be set up for this purpose. The following amounts are hereby appropriated from said fund or ordered to be transferred to other funds, for the specific uses and purposes set forth in the following schedule:

(a) To the state board of tax administration, for the fiscal year ending June thirty, nineteen hundred thirty-four and each fiscal thereafter, the amount necessary to defray the expenses of administering this act, including necessary refunds.

(b) To the state emergency welfare fund for the fiscal year ending June thirty, nineteen hundred thirty-four, the sum of twelve million dollars.

(c) To the general fund for the fiscal year ending June thirty, nineteen hundred thirty-four, and June thirty, nineteen hundred thirty five, for the purposes of meeting the requirements of the budget, the sum of nineteen million dollars.

(d) To the University of Michigan for the fiscal year ending June thirty, nineteen hundred thirty-four and each fiscal year thereafter, for the support of the University of Michigan, the sum of five hundred thousand dollars.

(e) To the Michigan State College of Agriculture and Applied Science for the fiscal year ending June thirty, nineteen hundred thirty-four, and each fiscal year thereafter, for the support of the Michigan State College of Agriculture and Applied Science, the sum of two hundred thousand dollars.

(f) If there shall be any excess in the sales tax fund during either of the fiscal years ending June thirty, nineteen hundred thirty-four, or June thirty, nineteen hundred thirty-five, after the foregoing credits and transfers are deducted, such excess shall be deposited in a special fund to be disbursed only on appropriation by the legislature.

If the taxes collected under this act during either of the fiscal years ending June thirty, nineteen hundred thirty-four or June thirty, nineteen hundred thirty-five, shall be less than thirty-one million seven hundred thousand dollars the appropriations and transfers in the foregoing schedule shall be reduced pro rata.¹

¹Public Acts of Michigan, 1933, No. 167, sec. 25.

It should be noted that the legislature, in enacting the sales tax, had in mind the provision of funds for the operation of the state government and for meeting the new demands of public welfare.

It was evident, however, that the legislature was aware of the necessity for providing the schools with additional revenue to replace, in part at least, that lost by the enactment of the fifteen mill limitation amendment. During the 1933 session, Act 236, commonly known as the Thatcher-Sias Act, was passed by the legislature and made the following appropriation to public schools for a two-year period:

Sec. 1. There is hereby appropriated for the fiscal year ending June thirty, nineteen hundred thirty-four, and for the fiscal year ending June thirty, nineteen hundred thirty-five, from the special retail sales tax fund, not to exceed the sum of fifteen million dollars for aid in the support of the public schools of this state.¹

It will be noted that any appropriation under Act 236 was to be made from that portion of the sales tax revenue designated in Section 25 (f) of the Retail Sales Tax Act. All the remainder of the revenue collected from the sales tax was definitely earmarked for other purposes.

The retail sales tax act was amended in 1935 to provide that the entire proceeds of the tax be credited to the general fund.

Sec. 25. All sums of money received and collected under the provisions of this act shall be deposited by the board in the state treasury to the credit of the general fund, to be disbursed only on an appropriation or appropriations by the legislature.²

The 1935 session of the legislature likewise made a change in the manner of appropriation of money for school support. Aid for the public schools was appropriated from the general fund, and not as an earmarked appropriation from the retail sales tax fund.

The fifteen mill limitation amendment in Michigan was also responsible for the enactment of a tax on chain stores, and a tax on the manufacture and sale of liquor, and liquor licenses. In the 1933 session of the legislature, an act was passed which

¹Public Acts of Michigan, 1933, No. 236, sec. 1.

²Ibid., 1935, No. 77, sec. 25.

provided for the taxing of chain stores by assessing a license fee ranging from \$10 per store in excess of one and up to three stores, \$25 for each store in excess of three and up to five stores, to a maximum fee of \$250 on each store in excess of twenty-five.¹ The chain store license fees are estimated to yield approximately \$1,000,000 annually.² Provision was made for the apportionment of the proceeds of these fees for the aid of certain elementary schools according to the number of teachers employed. This act was amended in 1935 to provide that revenue from this source should be credited to the general fund of the state.³

In 1933, the legislature enacted a statute which organized the liquor control commission and established license fees for the privilege of selling liquor, and applied a tax on the manufacture and sale of liquor.⁴ A more detailed discussion of these taxes will be given in a later chapter. Proceeds from the liquor tax were originally to be distributed through a special School Relief fund. In 1935, however, the act was amended, and revenue from this source, as well as the chain store license fees and returns from the retail sales tax, was placed in the general fund.⁵ One exception to this act, however, provided that a revolving fund of \$1,000,000 be maintained by the liquor control commission.⁶

Increased State Aid

One of the most obvious results of the fifteen mill overall limitation amendment in Michigan, in common with similar restrictions in other states, has been the decrease in the amount of revenue furnished by local taxation, and the increase in the amount of aid to school districts from state collected and distributed funds.

In a study of School Finance Systems prepared by the Research Division of the National Education Association, the following statement is made:

¹Public Acts of Michigan, 1933, No. 265.

²Ford, op. cit., p. 17.

³Public Acts of Michigan, 1935, No. 177.

⁴Ibid., Ex. Sess. 1933, No. 8.

⁵Ibid., 1935, No. 241.

⁶Ibid.

Prior to the adoption in 1932, of a 15-mill tax limitation amendment, the problem of school financing in Michigan was to secure an adequate and satisfactory state equalization fund. With the functioning of this amendment it is now necessary to provide funds for school districts which previously would have been well able to support an educational program.¹

This same study gives the information that, for 1933-34, the year following the adoption of the limitation, local tax levies furnished 68.1 per cent of school support, while the state furnished 31.4 per cent, and the federal government 0.5 per cent.

The Superintendent of Public Instruction in Michigan reports that in 1937 local taxation provided only a little more than fifty per cent of school revenue receipts; state aid, exclusive of primary school interest fund money, about twenty-five per cent, and the primary school interest fund money approximately sixteen per cent.² Non-revenue receipts, such as balances on hand from preceding year, and money received from the sale of bonds and temporary loans, while comprising money available for expenditure, were not included in computing these percentages. This information refers to Michigan school districts as a whole.

A more detailed study of the increasing importance of state-distributed aid to Michigan school districts will be made in a later chapter, giving especial attention to legislative appropriations which followed the enactment of the fifteen mill amendment.

Summary

Some of the most general results of the over-all property tax limitation in Michigan might be summarized as follows:

1. It established a maximum rate for operation purposes which could be levied by any local taxing unit--with the exception of municipalities, which are affected only if the charters so provide. A discussion of the effects upon the school districts and municipal governments in the eleven cities which have voted to place the municipal tax within the over-all limitation will be

¹"State Support of Public Schools in Michigan," School Finance Systems, Second pamphlet, Series 1, Research Division, National Education Association, January, 1935.

²Ninety-fifth Biennial Report of the Superintendent of Public Instruction for the Biennium 1937-39 (Lansing, Michigan, 1940), p. 98.

given in later chapters.

2. The limitation, in combination with the depression, resulted in a reduction in operating expenditures in all local governmental units and the state government as well.

3. It caused an immediate broadening of the tax base, through the enactment of the retail sales tax, the tax on chain stores, and the tax on the manufacture and sale of liquor. Collections from retail sales tax for seven years are listed in Table 51 in the Appendix.¹

4. State aid to school districts increased greatly during the latter part of the decade under investigation. This is generally conceded to be a direct result of the property tax limitation.

¹Page 298.

CHAPTER V

EFFECT OF OVER-ALL PROPERTY TAX LIMITATION IN MICHIGAN UPON STATE AID TO PUBLIC SCHOOLS

Introduction

Although state aid to public schools has increased considerably since the adoption of the fifteen mill over-all property tax limitation amendment in 1932, the fact should be recognized that state aid to public schools is not new in Michigan, which has had a continuous policy of assisting local units from state funds, both constitutional and statutory, ever since its admission to the Union. The earliest form of state aid was the Primary School Interest Fund, established by the State Constitution, and distributed to schools on a per capita basis of persons five to nineteen years of age, inclusive, residing in the district, regardless of school attendance. Later, in recognition of the fact that school membership and attendance determine the teaching load and cost of instruction, the legislature created the Turner Fund, which was distributed on an equalization basis. These earlier forms of state aid are described here, since they furnish the pattern for present-day aid.

Primary School Interest Fund

As originally established, there were two main sources of revenue contributing to the Primary School Interest Fund. The first was the proceeds from the sale of all lands which had been granted, or might in the future be granted, by the United States to the state for educational purposes:

Sec. 11. The proceeds from the sales of all lands that have been or hereafter may be granted by the United States to the state for educational purposes, and the proceeds of all lands or other property given by individuals or appropriated by the state for like purposes, shall be and remain a perpetual fund, the interest and income of which, together with the rents of all such lands as may remain unsold, shall be inviolably appropriated and annually applied to the

specific objects of the original gift, grant, or appropriation.¹

The second source was the proceeds from the sale of land, the title to which might, through a defect of heirs, escheat to the state:

Sect. 12. All lands the title to which shall fail from a defect of heirs, shall escheat to the state, and the interest on the clear proceeds from the sales thereof shall be appropriated exclusively to the support of primary schools.²

The interest from these two sources is placed in the Primary School Interest Fund and distributed to public schools on the basis of the number of persons from the ages of five to nineteen, inclusive, on the school census.

From time to time the Primary School Interest Fund has been augmented by certain taxes. The constitution is specific in designating how the fund shall be apportioned, and also makes provision for the legislature to enact statutes to furnish the fund with additional revenue:

Sec. 1. All subjects of taxation now contributing to the primary school interest fund under present laws shall continue to contribute to that fund, and all taxes from such subjects shall be first applied in paying the interest upon the primary school, university and other educational funds in the order herein named, after which the surplus of such moneys shall be added to and become a part of the primary school interest fund.³

Sec. 5. The legislature may provide by law for the assessment at its true cost value by a state board of assessors, of which the governor shall be ex-officio a member, of the property of corporations and the property, by whomsoever owned, operated or conducted, engaged in the business of transporting passengers and freight, transporting property by express, operating any union station or depot, transmitting messages by telephone or telegraph, loaning cars, operating refrigerator cars, fast freight lines or other car lines and running or operating cars in any manner upon railroads, or engaged in any other public service business; and for the levy and collection of taxes thereon.⁴

The total amounts provided by these added taxes are reported by the State Superintendent of Public Instruction as fol-

¹Constitution of Michigan, Article XI, sec. 11.

²Ibid., sec. 12.

³Constitution of Michigan, Article X, sec. 1.

⁴Ibid., sec. 5.

lows: 1931 - \$24,199,068.52; 1932 - \$20,888,456.88.¹ 1933 - \$13,049,033.07 (An Administrative Board ruling allowed a part of the tax to be paid in the succeeding fiscal year); 1934 - \$15,521,104.60.²

To show in more detail the taxes which comprise the income of the Primary School Interest Fund, the following data, taken from the biennial report of the Superintendent of Public Instruction for the years 1937 and 1938³ are listed in Table 7.

TABLE 7

AMOUNT OF PRIMARY SCHOOL INTEREST FUND REVENUE
FROM VARIOUS TAX SOURCES FOR 1937 AND 1938

Tax Source	Amount of Revenue	
	1937	1938
Car loaning companies	\$ 73,641.81	\$ 91,716.46
Express companies	24,543.85	24,586.14
Organization fees	230,843.35	147,767.52
Inheritance tax	4,174,668.08	8,479,283.34
Insurance companies	3,468,036.37	3,912,702.04
Railroad companies	4,807,448.59	5,265,123.31
Telephone and telegraph companies	2,428,906.30	3,162,549.15
Totals . .	\$15,208,088.35	\$21,083,727.96

Since taxes on public utilities were affected by the constitutional amendment setting a fifteen mill limit to the tax rate, the income of the Primary School Interest Fund was likewise reduced. This is explained in a report of the Superintendent of Public Instruction issued soon after the amendment became effective:

The sources of revenue contributing to the Primary School Interest Fund, except for the inheritance tax, are taxed at the average rate of general property in the state. As the general tax rate tends to approach the limitation of 15 mills

¹Ninety-second Report of the Superintendent of Public Instruction (Lansing, Michigan: December 31, 1934), p. 81.

²Ninety-third Report of the Superintendent of Public Instruction (Lansing, Michigan: 1936), p. 103.

³Ninety-fifth Report of the Superintendent of Public Instruction (Lansing, Michigan: 1940), p. 97.

the revenue from the Primary School Interest Fund will decrease.¹

The amount of money distributed to Michigan school districts from the Primary School Interest Fund for the thirteen-year period, 1928-29 to 1940-41, the rate per school census child, and the tax rate on public utilities per \$1,000 assessed valuation, are shown in Table 8. These data were secured from the Ninety-fifth Biennial Report of the Superintendent of Public Instruction and from information received from the office of the State Superintendent.

TABLE 8

DISTRIBUTION OF THE PRIMARY SCHOOL INTEREST FUND, THE RATE PER SCHOOL CENSUS CHILD, AND THE TAX RATE ON PUBLIC UTILITIES, FOR THE THIRTEEN-YEAR PERIOD, 1928 TO 1941

Year	Amount	Rate Per School Census Child	Tax Rate on Public Utilities Per \$1,000 Assessed Valuation
1928-29	\$ 18,992,281.39	\$ 15.20	\$ 30.42
1929-30	20,029,985.37	15.70	31.64
1930-31	24,071,432.51	17.92	31.53
1931-32	24,137,898.91	17.70	32.36
1932-33	20,777,181.72	15.14	32.80
1933-34	17,398,823.87	12.58	27.39
1934-35	14,443,872.25	10.41	27.80
1935-36	15,492,385.59	11.13	26.09
1936-37	15,352,192.00	11.00	26.18
1937-38	15,910,362.54	11.39	27.49
1938-39	22,304,765.05	15.91	27.34
1939-40	15,664,128.17	11.20	27.66
1940-41	16,265,778.46	11.72	27.28

Reference to Table 8 reveals that the primary school interest fund distributions were highest in 1931-32, and lowest in 1934-35. In 1938-39, the fund was over \$6,000,000 higher than for the previous year or the following year. This difference is largely accounted for in the detailed report of the tax sources for 1937 and 1938, which shows the abnormal amount furnished in 1938 through the inheritance tax. This large increase was brought

¹Ninety-second Report of the Superintendent of Public Instruction (Lansing, Michigan: December 31, 1934), p. 17.

through the settlement of the estate of one wealthy Michigan citizen.

Further reference to Table 8 shows that in 1933-34, the first year the property tax limit was in effect, the primary fund decreased over three million dollars, or more than sixteen per cent, from the previous year. The primary fund of the state is affected both by assessed valuations and the tax limit on property. The assessed valuations of railroads, and of other public utilities contributing to the fund, were decreased as a result of the depression. Sowers explains this reduction as follows:

In 1931 the public utilities were assessed at \$408,000,000 and taxed at \$13,200,000. In 1934 public utilities were assessed at \$338,000,000 and taxed in the amount of \$9,200,000. The savings enjoyed by the large utilities through the imposition of the 15 mill tax limitation amendment amounted to approximately four million dollars, of which two million was due to the decrease in millage tax rates resulting from the reduction in the average state millage rate from 32.0 mills to 27.0 mills and about two million dollars was due to the decrease in assessed valuation.¹

The decrease in the amount of available money, and the increase in the number of children on the school census, produced a reduction in the amount distributed per census child from \$17.92 in 1930-31 to \$10.41 in 1934-35.

The primary school interest fund is distributed to all public schools of the state on the basis of the school census of persons from the ages of five to nineteen, inclusive. The relation between the total amount of the primary school interest fund money to be distributed, and the total state school census for the preceding month of May, determines the amount each school district will receive from this source for each child on the census. It has provided a rather stable source of revenue for school districts for many years. Without it, the legislature would have had much greater difficulty in meeting the problem of providing adequately for the current operation of schools after the property tax was limited.

This fund has served both as a foundation, and as a precedent. When the property tax limitation was adopted, the legislature was presented with the problem of providing state aid, and of adopting a method of distributing it. It was then that people became quite conscious of the great amount which was already

¹Sowers, *op. cit.*, p. 26.

provided in the primary school interest fund. Because of the manner of collecting and distributing the primary fund, no one had been particularly conscious of state aid to public schools from that source, prior to the passage of the state aid act in 1933. In this first state aid act, the amount appropriated did not include the primary school interest fund distribution. The method of distributing this fund, however, was adopted as the method for distribution of the "primary supplement fund," under the terms of state aid acts from 1933 to 1939, inclusive. The established practice of distributing primary school interest fund money on the census basis no doubt influenced the legislature in deciding to distribute most of the new state aid on the same basis.

The amount of money appropriated by the legislature in 1933 for aid to the public schools of the state, was exclusive of the primary school interest fund. But in 1935, the legislature adopted the plan of drawing the state aid bill for an amount which would include the primary school interest fund. There were two chief reasons for this action: (1) Any distribution of state aid must necessarily take into account the distribution of the primary school interest fund, and (2) there is a much better showing on the part of the legislature in appropriating \$40,000,000 than \$25,000,000. During all years but one since 1933, the primary fund has provided annually over \$15,000,000. The most recent state aid act, passed in 1941, appropriated \$44,500,000 annually in state aid to public schools. This is about all the publicity regarding the act that goes to the public, and many people do not realize that this amount is not in addition to the primary school interest fund distribution. Actually, if the primary fund is as much as is anticipated next year, it will be at least \$17,000,000, and state aid will then be the difference between \$44,500,000, and this amount, or \$27,500,000. In effect, the legislature has appropriated only \$27,500,000, for they have no jurisdiction over the primary school interest fund.

It may properly be said that the legislature is correct in appropriating an amount of aid to the public schools, including the amount distributed in the primary school interest fund. After all, the primary money is aid from the state at large, even though not appropriated by the legislature, and additional state aid should take into account the amount of state aid received from any other sources.

Turner Fund

Another source of state aid to schools at the time of the adoption of the tax rate limit was the Turner Fund, which was distributed on the basis of school membership. The legislature, meeting in 1927, passed the Turner Act which appropriated one million dollars annually to schools on the following formula:

Sec. 2. The amount herein provided for shall be apportioned among all school districts which have an average school membership in excess of the average for the whole state for each one hundred thousand dollars of equalized valuation in a manner such that the amount apportioned to each school district for each school census child shall be in direct proportion to the number by which the average school membership of the district exceeds the average for the whole state for each one hundred thousand dollars of equalized valuation. In computing the average school membership for each one hundred thousand dollars valuation, whether for the state or any school district, the nearest whole number shall be used; except that when the average school membership for each one hundred thousand dollars of valuation is equally distant from two whole numbers, the next higher whole number shall be used for the purpose of this section.¹

The Turner Act was amended in 1929 to provide for a distribution by the state of two million dollars annually to school districts.² This law was an attempt to distribute aid on the basis of teaching load, and to take into account the difference in local ability to support schools.

The Turner Act was replaced in 1933 by the Thatcher-Sias Act.³ The loss occasioned by the repeal of the Turner Act was not considered extremely serious to the state as a whole, since the amount distributed had not exceeded two million dollars annually. It resulted, however, in quite a set-back to some of the school districts which had, under the provisions of the Turner Act, received considerable aid from the state.

New State Aid

"New state aid" is the term used for aid to public schools appropriated by the legislature as a result of the property tax rate limitation. The first such act was passed in 1933,⁴ appro-

¹Public Acts of Michigan, 1927, No. 293, sec. 2.

²Ibid., 1929, No. 116.

³Ibid., 1933, No. 236.

⁴Ibid.

priating an amount not to exceed \$15,000,000 from the retail sales tax fund.¹ This amount did not include the primary school interest fund distributions. Only about one-third of this appropriation was actually paid. The pattern for the distribution of state aid as established by the 1933 act was not greatly changed until 1941. There was a change, however, in the earmarking of the specific funds which should furnish the revenue for this aid. The act of 1933 had appropriated aid from the retail sales tax fund. In 1935, the sales tax act was revised so that the revenue from this source was placed in the general fund,² and in the same year the state aid act was revised to provide that appropriations for aid to schools should be made from the general fund of the state.³

All state aid acts from 1933 to and including 1939 provided for two funds, "primary supplement," and "school equalization fund."⁴ The "primary supplement fund" was a much larger amount than the "equalization fund," and, until eliminated in 1941, was distributed on the census basis, exactly as the primary school interest fund money has been distributed.

The following portion of the 1933 act is quoted to explain how these funds were to be apportioned:

Sec. 2. From the said amount herein appropriated, an amount equal to one-tenth of the sum obtained by adding fifteen million dollars to the amount of the primary school interest fund as determined for the year shall annually be placed in the fund hereby established, to be known as the "School Equalization Fund." Each school district and all state, county, city and/or township officers receiving and having custody of moneys apportioned under the provisions of this section shall account for the same under the title "School Equalization Fund." The remainder of said sum of fifteen million dollars herein appropriated shall be annually placed in the fund hereby established, to be known as the "Primary Supplement Fund." Each school district and all state, county, city and/or township officers receiving and having custody of moneys apportioned under the provisions of this section shall account for the same under the title "Primary Supplement Fund."⁵

This act placed limitations on the amount of aid which a small elementary school district could receive and also upon the amount of aid which could be received by districts operating a

¹Public Acts of Michigan, 1933, No. 236, sec. 1.

²Ibid., 1935, No. 77.

³Ibid., No. 192.

⁴Ibid., 1933, No. 236.

⁵Ibid., sec. 2.

twelve-grade school and having fewer than eight hundred children (five to nineteen, inclusive), as determined by the annual Michigan school census. These limitations were placed upon five different classifications of elementary schools¹ and five different classifications of districts operating, in addition to the elementary schools, grades seven through twelve.² These limitations were based upon pupil enrollment and number of teachers employed. The act provided that in all districts where the enrollment in grades kindergarten through twelve was eight hundred and over, a minimum allotment of forty dollars for each elementary pupil and sixty-five dollars for each high school pupil be guaranteed to the district. The district was first obliged to assess a tax or three mills on the equalized valuation of the district and to add to this amount the primary school interest fund money and tuition receipts.³ If these three amounts did not equal the minimum allotment to be guaranteed by the state, the additional amount was provided from the primary supplement and equalization funds.

Primary supplement money was first allocated on the census basis. If this amount were not sufficient, the balance was to be provided from the equalization fund.

The 1933 act made provision for an amount of sixty dollars tuition for each non-resident high school pupil,⁴ and an amount not to exceed thirty dollars for the cost of transporting pupils in those districts which could legally provide transportation.⁵

The state aid acts have been revised with each session of the legislature. Act 236 was amended by Act 192 in 1935, by Act 249 in 1937, Act 346 in 1939, and Act 368 in 1941. The legislature not only changed the amounts appropriated for state aid with each revision, but also changed other items such as the gross allowance per pupil in elementary or high school membership, the amount of high school tuition allowed, and the apportionments of the equalization and primary supplement funds. A listing of the provisions of the state aid acts from 1933 to 1941 is found in Table 10, in

¹Ibid., sec. 3, Part I (a), (b), (c), (d) and (e).

²Ibid., sec. 3, Part II (a), (b), (c), (d) and (e).

³Ibid., sec. 4.

⁴Ibid., sec. 6.

⁵Ibid., sec. 7.

this chapter, showing the changes made in the various items.

Act No. 192¹ of the Public Acts of 1935 appropriated for the fiscal year ending June 30, 1936, the sum of thirty-six million forty thousand dollars and for the fiscal year ending June 30, 1937, the sum of thirty-seven million four hundred thousand dollars, and the sum of thirty-eight million dollars each year thereafter, less the amount of the primary school interest fund distribution each year, respectively, from the general fund of the state for aid in the support of the public schools of the state. It will be noted that this act appropriated school aid from the general fund, and not as an earmarked appropriation under the retail sales tax act. This was a significant change from the earmarking policy followed previously.

The 1935 act raised the minimum allotment for pupils on average membership in the elementary grades from forty to forty-eight dollars, increased the amount for transportation from thirty to forty dollars per pupil transported, and changed the amount and method of payment of high school tuition.

Act no. 249² of the Public Acts of 1937 appropriated for the fiscal year ending June 30, 1938, and each year thereafter, forty-three million dollars, less the amount not in excess of fifteen million dollars of the primary school interest fund distribution for each year respectively, from the general fund of the state for the aid of the public schools of the state.

This act increased the minimum allotment from forty-eight to fifty-five dollars for each elementary pupil on average membership, and from sixty-five dollars to seventy-five dollars for each high school pupil on average membership.³ (Elementary pupils are defined as pupils in school membership in all grades in districts not maintaining classes above the eighth grade, and in grades from kindergarten to the sixth grade, inclusive, in schools maintaining classes above the eighth grade; high school pupils are defined as pupils in school membership in grades seven to twelve, inclusive, except in districts not maintaining classes above the eighth grade.)⁴

Even though Act 249 had appropriated the sum of forty-three

¹Public Acts of Michigan, 1935, No. 192, sec. 1.

²Ibid., 1937, No. 249.

³Ibid., sec. 4.

⁴Ibid., Sec. 9.

million dollars, less the amount not in excess of fifteen million dollars of the primary school interest fund distribution for each year for aid in the support of the schools, the 1937 session of the legislature enacted a statute which gave to the governor the right to cut any and all appropriations made by the legislature, provided there were insufficient revenue to meet appropriation demands.¹ The full amount under Act 249 was not paid to schools.

Immense pressure was brought upon the legislature for the payment of full tuition and for payment of a larger share of the equalization fund. Consequently, the 1939 session of the legislature gave approval on April 17 to Act No. 39, a supplemental emergency appropriation from the general fund of the state, for the purpose of aiding in the support of public schools. Section 1 of this act is quoted here:

Section 1. There is hereby appropriated from the general fund of the state to supplement former appropriations for the fiscal year ending June 30, 1939, the sum of \$2,500,000 for public school districts which are entitled to high school tuition and/or equalization under Act No. 236 of the Public Acts of 1933, as amended by Act No. 249 of the Public Acts of 1937.

The amount of tuition apportioned to any district shall be $37\frac{1}{2}$ per cent of the amount allotted to such districts for tuition, as provided in Act No. 236 of the Public Acts of 1933, as amended by Act No. 249 of the Public Acts of 1937.

The amount of equalization apportioned to any district shall be 15 per cent of the amount allotted to such districts for equalization, as provided in Act No. 236 of the Public Acts of 1933, as amended by Act No. 249 of the Public Acts of 1937.

Funds distributed to districts in accordance with the above provisions shall be paid on or before July 1, 1939. Any amount remaining after these apportionments have been made shall revert to the general fund of the state.²

The 1939 session of the legislature was very much concerned over balancing the state budget. The governor brought great pressure to reduce state aid to schools and to other state functions down to the point where the anticipated revenue would be sufficient to meet appropriations. As a result of the pressure which was directed toward balancing the state budget, the legislature enacted a statute which provided for a reduction in state aid to schools.

¹Public Acts of Michigan, 1937, No. 254, sec. 3.

²Ibid., 1939, No. 39, sec. 1.

This act made the following appropriation:

Sec. 1. There is hereby appropriated for the fiscal year ending June 30, 1940, and each year thereafter, \$39,000,000.00, less the amount not in excess of \$17,000,000.00 of the primary school interest fund distribution for each year, respectively, from the general fund of the state for aid in the support of the public schools of the state: Provided, That in the event the total general fund revenue, for all appropriations made by the legislature during its regular session of 1939, which is received by the state during the fiscal year ending June 30, 1940, and June 30, 1941, as determined by the budget director, exceeds \$84,000,000.00 for either such fiscal year, this appropriation is hereby increased by all such general fund revenue received in each fiscal year in excess of \$84,000,000.00, but not to exceed \$86,000,000.00, subject to the following limitations in respect to each year: (1) If the amount paid out of the primary school interest fund in either year shall exceed \$17,000,000.00 the amount of such excess shall be deducted from any increase becoming available as above provided by reason of increase in general fund revenues, and (2) in no event shall a sum in excess of \$45,000,000.00 be paid out on account of either fiscal year for school purposes, including the full amount paid from the primary school interest fund.¹

The appropriation in Act 346 was \$4,000,000.00 less than that appropriated in Act 249 of the previous biennium, but the right to reduce the appropriation was not granted to the governor in 1939. In addition to the \$39,000,000 appropriated in Act 346, the \$2,000,000 excess appropriation was paid for each year of the biennium.

The appropriation made by the state legislature for public schools is considered a biennial appropriation, and only in event the legislature fails to enact a new state aid law will the appropriation continue on the basis of the previous biennium. When the 1941 session of the legislature convened, no proposals for state aid for public schools were ready for presentation. Before long, however, four major proposals were presented. The first bill to be presented was House Bill No. 92, sponsored by the board of directors of the Michigan Education Association. The second was House Bill No. 354, introduced by the metropolitan areas of the state. The third bill was introduced by the Michigan Federation of Teachers and was registered as House Bill No. 398. The fourth bill was introduced in the senate as Senate Bill No. 397 by the Superintendent of Public Instruction.

The motives which prompted the presentation of four different bills, each calling for a total appropriation of approxi-

¹Public Acts of Michigan, 1939, No. 346, sec. 1.

mately forty-six million dollars, indicated that there was a growing sentiment in Michigan that the method of distributing state aid was not equitable. Schools which received state aid only from the Primary Scupplement Fund and did not share in equalization, have usually been those school districts wherein the valuation is high. Those school districts of the state which shared largely in equalization money in addition to their receipts from the Primary Supplement Fund, have presented evidence that when reductions in state aid have been made, they have been asked to share too great a per cent of the reduction. These districts have felt that the very fact of their sharing heavily in equalization is evidence of their need, and, assuming that the formula on which equalization is based is equitable, this position would have been correct. It was this group of schools, however, that drew House Bill No.92, which was approved by the legislature and was signed by the governor on June 26, 1941. This act¹ provides for a distribution of \$44,500,000. This is an increase of three and one-half million dollars over the amount distributed in state aid during the last two years. The amount, however, includes the payment from the primary school interest fund. For the two years, 1939-40 and 1940-41, Act No. 346² provided for a state aid distribution of forty-one million dollars annually, including the two million dollars excess, and primary money.

This new act³ provides for a differential of two dollars per child on average membership in the elementary and secondary grades, in favor of school districts having a school membership of three thousand or over. This feature was agreed to by the rural sections of the state in acknowledgment of the fact that cities provide a type of training which by its very nature is more expensive to operate. The act provides a gross allowance for these larger school districts of \$57 per child on average membership in the elementary grades and \$77 for each child on average membership in secondary school grades, exclusive of high school tuition pupils. In all other school districts, the gross allowance is \$55 per child in average membership in elementary grades, and \$75 per child in average membership in secondary school grades.

¹Public Acts of Michigan, 1941, No. 368.

²Ibid., 1939, No. 346.

³Ibid., 1941, No. 368.

This act eliminates the primary supplement and the equalization funds, and provides for only one, the "school aid fund."¹

High School Tuition

High School tuition has, since 1933, been a part of new state aid, and since 1935, tuition has been paid by the state directly to the district in which the non-resident pupil is enrolled. A detailed account of tuition and the legal provisions for tuition payments are given to show how important this phase of state aid has become.

Prior to 1933, the payment of non-resident tuition to a receiving school district was a matter handled between the sending and receiving districts, or between the parent of the non-resident pupil and the receiving district. Many of the districts maintaining ten-grade schools would pay non-resident tuition for all pupils wishing to attend the eleventh and twelfth grades. These sending districts continued to receive primary school interest fund money for all persons on the census. These receipts from the primary school interest fund for persons out of school and still under twenty years of age were frequently enough to pay tuition for those pupils who wished to attend high school grades not maintained by the sending district.

Since 1933, the method of handling tuition payments has been changed at each regular session of the legislature. More significant has been the pressure brought, by those school districts that have a large percentage of their enrollment in the secondary grades composed of non-resident pupils, to secure larger per pupil payments from the state than are paid for resident pupils. Tuition schools have comprised a forceful group and have succeeded in convincing the legislature of the necessity, not only of paying more state aid for non-resident pupils, but of guaranteeing in full all payments of tuition, even when it was necessary to cut other state aid. The plan made for 100 per cent payment of non-resident tuition is that receiving districts have provided facilities for pupils, not their own, and that the state should guarantee all tuition for such pupils. Not only are the receiving districts interested in 100 per cent of tuition, the sending districts are likewise interested in the same proposition. If such

¹Public Acts of Michigan, 1941, No. 368, sec. 2.

payment is not made, the receiving district may look to the sending district or to the parents for any amount left unpaid by the state. Most of the sending districts are rural, and the legislature is usually ruled by a large rural majority. Hence, the chief reason for the favorable attitude toward tuition payments.

The Department of Public Instruction and the Michigan Education Association have for several years been attempting to encourage the closing of many of the six thousand school districts in Michigan. State aid for non-resident tuition and payment for transportation were first provided in the state aid act to encourage consolidation and the closing of small schools. How well such encouragement has worked can be attested from the large number of schools that have voted to consolidate, and the large number that have closed some of the upper grades. The two factors, tuition and transportation, have grown tremendously since 1933, and provide two excellent reasons why total state aid had to be increased in order that aid other than tuition and transportation would not actually decrease.

The successive changes made by the legislature in the method of determining the amount to be paid for non-resident high school tuition is included in Table 10.

During the 1933 session of the state legislature, it was provided that:

The tuition rate per pupil charged by receiving districts shall not be less than the amount required by law to be paid by sending districts for such pupil for whom high school tuition is paid.¹

While this act did not definitely set the amount which could be charged for high school tuition, it did attempt to set a minimum. The same act provided state aid to districts not maintaining school according to law, in order that tuition might be paid to other districts at an amount of \$40 per elementary pupil and \$60 per high school pupil. The act made the following provisions:

Sec. 6. Any primary or graded school district not maintaining school wholly or in part according to law which, for the fiscal year in which the apportionment is made, has voted not less than a three mill tax on the assessed valuation of the property within the district, and has certified such fact to the superintendent of public instruction, may share in

¹Public Acts of Michigan, 1933, No. 236, Sec. 23.

both the primary supplement fund and the school equalization fund. The total amount which shall be so apportioned to any school district shall be the total sum which, when taken with the primary school interest fund apportionment to that district for that fiscal year, plus a sum equal to a three mill tax on the assessed valuation of the property within the district reported and determined as hereinafter provided, will make an amount sufficient to pay the tuition, not exceeding forty dollars for each elementary pupil and sixty dollars for each high school pupil, attending public schools in other districts.

If any such school district, in the year preceding the apportionment, maintained school as provided by law, then the apportionments to said district from the primary supplement fund and the school equalization fund shall be based upon the average school membership in the district at forty dollars each for elementary pupils and sixty dollars for each high school pupil.¹

These provisions undertook to guarantee to closed districts an amount of \$40 per elementary child and \$60 per high school child. The same act also provided state aid of \$40 per elementary child and \$65 per high school pupil on average membership to schools operated according to law.² The effect of these provisions was to establish non-resident high school tuition at \$65.00, \$60 of which was reimbursable to the sending district through state aid for the payment of tuition. Some receiving districts charged more than \$65, but most of them admitted non-resident pupils at \$65, which was the same amount as that guaranteed by the state for resident pupils.

In 1935, the legislature raised the high school tuition to \$65 and changed the manner of making payment so that the receiving district collected directly from the state.³ This latter policy has governed state tuition payments ever since that year. The amount of tuition, however, has changed. In 1937, the payment for high school non-resident tuition was set at per capita cost, not to exceed \$100.00.⁴ In 1939, the legislature set high school tuition for non-resident pupils at 125 per cent of the per capita cost for all grades from kindergarten through grade 12 within the receiving district. From this amount was deducted the primary school interest money per child for each non-resident high school pupil.

¹Public Acts of Michigan, 1933, No. 236, sec. 6.

²Ibid., sec. 4.

³Ibid., 1935, No. 192.

⁴Ibid., 1937, No. 249.

⁵Ibid., 1939, No. 346.

For example, if the per capita cost in a receiving district (kindergarten through grade 12) were \$100, and the primary school interest fund distribution per census child were \$12.00, the state would pay 125 per cent of per capita cost less \$12.00, or \$125 less \$12, which would be \$113.00.

In 1941, the payment for non-resident high school tuition was changed from the provisions of the 1939 act, in that the amount is now set at per capita cost, not to exceed \$100, and the amount of the primary school interest fund per child is not deducted.¹ This provision will reduce considerably the amount of tuition paid by the State. Under the provisions of the 1939 act, the state paid to some districts an amount per non-resident pupil as high as \$200, while under the 1941 act, the state will not pay more than \$100. There is nothing in the act that prohibits a district from charging the sending district or the parents an amount in excess of that paid by the state for non-resident tuition.

Comparison of Amount of Aid Appropriated and the Amount Actually Paid

There has been been considerable difference between the amount of state aid appropriated by the legislature and the amount of aid which was actually paid. In Table 9, the amount appropriated by the legislature, the amount of the primary school interest fund distributions, the total amount paid from legislative appropriations, and the total amount of state aid and primary fund distributions for the years 1929-30 to 1939-40 are given.

It will be noted that for the year 1933-34, the legislature appropriated \$15,000,000, but only \$4,609,604.91 was distributed. The following year the same amount was appropriated, but only slightly more than twelve million dollars was paid. During the year 1936-37, the total amount appropriated was paid. While the total state aid distributed during the two years following (1937-38 and 1938-39), was more than was distributed in 1936-37, the total amount appropriated was again not paid. For the school year 1939-40, the appropriation included \$39,000,000, with a supplemental appropriation of \$2,000,000, provided the general fund revenue exceeded \$84,000,000 by that amount. During the same year a deficiency appropriation was passed, appropriating \$2,500,000 to pay in full non-resident high school tuition and fifteen

¹Public Acts of Michigan, 1941, No. 368.

TABLE 9

AMOUNT OF LEGISLATIVE APPROPRIATIONS FOR STATE AID TO PUBLIC SCHOOLS
AND THE AMOUNT OF AID ACTUALLY PAID, INCLUDING DISTRIBUTION
OF PRIMARY SCHOOL INTEREST FUND, FOR THE PERIOD
1929-30 TO 1939-40^a

Year	Act	Legislative Appropriation	Primary School Interest Fund Distributions	State Aid Paid			Total Amount Paid from Legislative Appropri- ation ^b	Total Amount Primary Fund Distributions and State Aid
				Primary Supplement	Equali- zation	High School Tuition		
1929-30	293	\$ 2,000,000	\$20,029,985	\$.....	\$2,005,638	\$.....	\$ 2,005,638	\$22,035,623
1930-31		2,000,000	24,071,432	.....	1,995,991	.....	1,995,991	26,067,423
1931-32		2,000,000	24,137,898	.....	1,996,803	.....	1,996,803	26,134,701
1932-33		2,000,000	20,777,181	.....	1,989,098	.....	1,989,098	22,766,279
1933-34	236	15,000,000	17,398,823	3,800,905	808,699	.....	4,609,604	22,008,427
1934-35		15,000,000	14,443,872	8,122,157	3,910,973	.....	12,033,130	26,477,002
1935-36	192	36,040,000 ^c	15,492,385	13,221,835	4,119,027	2,186,387	19,526,169	35,018,554
1936-37		37,400,000 ^c	15,352,192	15,201,422	4,495,467	2,350,919	22,047,808	37,400,000
1937-38	249	43,000,000 ^d	15,910,362	16,747,546	5,947,372	2,659,410	25,534,329	41,110,362
1938-39		43,000,000 ^d	22,304,765	12,272,720	4,467,954	2,259,326	19,000,000	41,304,765
1939-40	39	2,500,000 ^e	.....	.....	1,072,305	1,355,595	2,427,900	.....
	346	39,000,000 ^e	15,664,128	13,663,478	6,162,419	3,509,974	25,335,871	43,427,900
		2,000,000 ^g	.....	2,000,000	.....	.....	.....	.....

^aNinety-fifth Report of the Superintendent of Public Instruction for the Biennium 1937-1939
Lansing, Michigan, 1940.

p. 109.

^bPrimary School Interest Fund Distributions, although included in legislative appropriations for certain years, are not included in the totals in this column.

^cIncludes all primary school interest fund distributions.

^dIncludes not to exceed \$15,000,000 primary school interest fund distributions.

^eIncludes not to exceed \$17,000,000 primary school interest fund distributions.

^fDeficiency appropriation.

^gAdditional allowance from excess state general fund revenues.

per cent equalization. The total amount appropriated, then, for 1939-40 was \$43,500,000, and the amount paid, including the primary school interest fund distributions, was approximately that much. The only other year in which the total amount appropriated has been paid was 1936-37.

Summary of New State Aid Provisions

In order to see all of the important changes in the state aid acts since 1933, the following provisions of the various acts are listed in Table 10: total amount of the appropriation, gross allowance, method of determining the amount to distribute from the equalization fund, method of determining amount of primary supplement aid, method of determining high school tuition payments, the deductible millage, and the local tax rate which must be levied in order for the school district to participate in state aid.

The important changes in the state aid acts from 1933 to 1941 are:

1. In the amount of the annual appropriation, which was increased from \$15,000,000 (exclusive of primary school interest fund distributions) in 1933 to \$44,500,000 (including primary primary school fund distributions) in 1941.

2. An increase in the gross allowance for pupils in average membership from \$40 per elementary pupil and \$65 per high school pupil in 1933 to \$55 per elementary pupil and \$75 per high school pupil in 1937. In 1941, the gross allowance was raised to \$57 per elementary pupil and \$77 per high school pupil on average membership in school districts having a membership of 3,000 or more, exclusive of high school tuition pupils.

3. In 1933 the amount of equalization was set at ten per cent of \$15,000,000 plus the amount received from the primary school interest fund. The percentage of the appropriation to be applied to the equalization fund was increased each biennium until in 1941 the entire amount of the appropriation, less \$50,000 for the administration of the act, and payment of county commissioners' salaries, is distributed on an equalization basis.

4. In all acts from 1933 to and including 1939, a large share of state aid was distributed under the primary supplement fund. This fund was eliminated in 1941.

5. High school tuition has increased from \$60 in 1933 to 125 per cent of per capita cost of all children in the district

in 1939. High school tuition, at first paid to the sending district, has been, under the terms of the 1935 amendment and subsequent acts, paid to the receiving district. The amount is now set at per capita cost not to exceed \$100.

6. The deductible millage has shifted from three mills under the 1933 act, to 2 1/2 mills under the 1935 act, and to 2 3/4 mills under the 1937 and 1939 acts. Under the terms of Act No. 368 of 1941, the superintendent of public instruction was given authority to shift the deductible millage upward from 2 3/4 if necessary. His office has just announced (on April 15, 1942) that the deductible millage for 1942-43 will be approximately 3.50.

7. The tax rate necessary for participation in state aid has shifted from a low of 2 1/2 mills in 1935 to a high of four mills in 1941.

TABLE 10

PROVISIONS OF STATE AID ACTS, 1933-1941

Year and Act	Total Amount of Legislative Appropriation	Gross Allowance	Equalization	Primary Supplement	High School Tuition	Transportation	Deductible Millage	Millage to Participate
1933 No. 236	\$15,000,000 annually from retail sales tax fund	\$40 per elem. \$65 per H.S. pupil on av. membership	10% of \$15,000,000 plus primary school interest fund	Amount to be determined by department of public instruction and distributed on the basis of school census	\$60 to sending district	\$30 max. per pupil transported	3	3
Ex. Ses. 16	Created special school emergency fund of \$15,000,000 for 1933-34, 1934-35, from proceeds of sales tax, liquor tax, and general fund, to be distributed under provisions of Act No. 236							
1935 No. 192	\$36,040,000 1935-36; \$37,400,000 1936-37; \$38,000,000 thereafter from general fund	\$48 per elem.; \$65 per H.S. pupil on av. membership	11% of appropriation	Same	\$65 to receiving district	\$40 max. per pupil transported	2 1/2	2 1/2
1937 No. 249	\$43,000,000 less amount of primary sch. int. fund not in excess of \$15,000,000	\$55 elem. \$75 H.S.	12 1/4% of \$43,000,000	Same	Per Capita Cost, not to exceed \$100 to rec. dist.	Same	2 3/4	2 3/4

1939 No. 39	\$2,500,000--Deficiency Appropriation to pay high school tuition in full and 15% Equalization							
No. 346	\$39,000,000 less primary sch. int. fund, plus ex- cess of \$2,000,000	\$55 elem. \$75 H.S.	15% of \$45,000,000	Same	125% of per capita cost in entire system, less P.S.I. per pupil	Same	2 3/4	3
1941 No. 368	\$44,500,000 less \$50,000 to adminis- ter act and payment of county com- salaries	\$55 elem. \$57a \$75 H.S. \$77a (a) to dis- tricts hav- ing over 3,000 mem- bership (exclusive of H.S.tui- tion pu- pils)	Entire amount less deductions listed	None	Per capita cost, not to exceed \$100 to receiving district	Same	2 3/4, or more if nec- essary	4

CHAPTER VI
EFFECTS OF THE PROPERTY TAX LIMITATION AMENDMENT UPON
FINANCIAL SUPPORT OF SCHOOLS IN TWENTY-TWO
MICHIGAN CITIES

Introduction

The present chapter deals with the changes in certain items of receipts and expenditures in twenty-two Michigan school systems during the decade from 1930 to 1940. These changes are studied for the purpose of revealing any effects which the property tax limitation may have had upon school finances and school financial policies.

This decade, 1930 to 1940, presents a peculiarly significant period for studying school, as well as municipal, financing in Michigan. The first three years, 1930-31 to 1932-33, begin with pre-depression conditions and end with a serious financial crisis, bringing on the property tax limitation, effective in 1933. The second period, 1933-34 to 1934-35, presents a new situation entirely. All schools, counties, and townships were operating under the over-all property tax limitation, but municipal tax rates were, according to the text of the amendment, excluded from the limitation,¹ and none of the cities included in this investigation (except Flint, in 1934) had voted for such limitation. The third period, 1935-36 to 1939-40, was one in which eleven, or half, of the cities studied had carried elections to place their municipal rates under the over-all limitation.² The other eleven had not, and still have not, carried such elections, although some of them (Kalamazoo, Lansing, and Benton Harbor) have voted down such propositions.

¹Constitution of Michigan, Article X, sec. 21.

²Cities listed in order of elections carried for this purpose: Flint, Muskegon, Muskegon Heights, North Muskegon, Grand Rapids, Saginaw, Pontiac, Battle Creek, Ionia, Jackson, and Bel-ding. Table 36 giving dates and number of votes cast will be found on p.241.

A second group of eleven cities¹ was chosen in order to include cities as nearly comparable in size as possible, in which to study the effects of the over-all property tax limitation upon schools in cities where the municipal rates are outside the limitation.

During the first three years, 1930-31 to 1932-33, changes in school receipts or expenditures resulted chiefly from business conditions. The decreases reported in items of school revenue are attributed, during these years, to the depression.

The property tax limit became effective in 1933-34. During that year and the succeeding one, changes in school revenue were a result of the over-all tax limit, or the depression, or both. An attempt will be made to isolate the effects of each insofar as it is possible to do so. Obviously, in some instances, it is difficult to ascertain whether a particular effect was a result of the depression or of the tax limitation. For example, one might conceive the idea that changes in the assessed valuation would follow changes in business conditions, and in a large measure this is true. But it was apparent that limiting the tax rate checked the downward trend in valuations, and in some instances, actually encouraged higher valuations, even while the depression was most serious. Thus, it should not be assumed that changes in valuations can all be attributed to business conditions.

The third period, consisting of five years, is a period in which, not only the effects of the general property tax limit, but also the effects of limiting the municipal tax rates in eleven cities may be studied in relation to financial conditions in other cities in which municipal rates are not under the over-all limitation.

General Aspects of School Financing

The aspects of school financing covered in this chapter are: assessed valuations, state equalized valuations, tax delinquency and defaulting on bond payments, tax rates, amount of money raised through local taxes on property for operation purposes, the amount of money for operation received from state and federal aid,

¹Ann Arbor, Bay City, Benton Harbor, Dearborn, Escanaba, Hamtramck, Hastings, Highland Park, Kalamazoo, Lansing, and Port Huron. Population figures for these and the eleven fifteen mill cities may be found in the Appendix, page

the total amount available for operation, and annual expenditures for current operation.

Assessed Valuations

In the State.--The value of property for the purpose of levying taxes changed greatly in the State of Michigan during the ten years from 1930 to 1939, inclusive. In 1930, the assessed valuation of property in the state was still at a high level. Data in Table 11 show the assessed valuation of the state for a ten-year period, from 1930 to 1939, and the per cent which the assessed valuation of each year bears to the assessed valuation in 1930. Since the fiscal year of a large majority of the school districts in Michigan is from July 1 of one year to June 30 of the following year, the assessed valuation for any calendar year is used by the schools as their assessed valuation for their fiscal year. For example, the assessed valuation for the calendar year of 1930 was the figure used in levying and collecting taxes for the school year 1930-31.

TABLE 11

ASSESSED VALUATION OF THE STATE OF MICHIGAN FOR A TEN-YEAR PERIOD, 1930 TO 1939, AND THE PER CENT WHICH THE VALUATION EACH YEAR BEARS TO THE ASSESSED VALUATION OF 1930

Year	Assessed Valuation of the State	Per Cent of 1930 Assessed Valuation
1930	\$ 8,460,234,945	100.0
1931	7,854,628,979	92.8
1932	6,603,821,037	78.0
1933	5,821,072,389	68.8
1934	5,685,263,349	67.2
1935	5,652,288,256	66.8
1936	5,720,274,670	67.6
1937	5,912,306,455	69.7
1938	6,054,959,530	71.6
1939	6,118,663,420	72.1

The assessed valuation of the state during the ten-year period was at its lowest point in 1935, when it was 33.2 per cent under the 1930 figure.

In 1932, the year the property tax limitation was adopted, the total assessed valuation of the state had decreased twenty-two

per cent from the 1930 assessed valuation. The biggest decrease in any one year during the ten-year period was from 1931 to 1932, when the assessed valuation of the property in the state dropped 14.8 per cent, based on 1930 figures. This sudden and drastic drop in the state valuation would, other factors remaining stationary, account for a reduction in state revenue of a proportionate amount. But, as we shall see, other factors were not remaining stationary. In addition to the decline in assessed valuation, there was a sharp increase in the amount of delinquent taxes throughout the state. The only avenue left, then, by which local and state governments could recapture lost revenue by the property tax was by an increase in the tax rate. In order to prevent this, the people of the state voted a limit on the property tax rate, at the November election in 1932.¹ The combined results of the depression and the property tax limit created in Michigan a real threat to sound financial policies.

After 1935, the assessed valuation of the state increased gradually until in 1939, when it was still 27.9 per cent under the 1930 figure. For the state as a whole, the effects of the depression as reflected in lowered assessed valuations would have resulted in a very serious decline in revenue, even without a property tax limit on the rate. It is impossible to make similar observations on the amount of tax delinquency in the state as a whole for the ten-year period. Since no state tax on property has been levied since 1935, such information is not available since that time.

In the twenty-two cities.--Now let us see what the situation has been in the twenty-two school districts during these ten years in regard to assessed valuations, and whether there have been any significant differences reported in the two groups of school districts.

In Table 12, the assessed valuation of twenty-two school districts for the period 1930-31 to 1939-40 is shown, and the per cent which the assessed valuation of each year bears to the assessed valuation in 1930-31. This table also shows the assessed valuation of the twenty-two school districts divided into two groups of eleven cities each.

The data in Table 12 show that the total assessed valuation

¹Constitution of Michigan, Article X, sec. 21.

TABLE 12

ASSESSED VALUATION OF 22 SCHOOL DISTRICTS FOR
THE PERIOD 1930-31 TO 1939-40 AND THE
PER CENT EACH YEAR BEARS TO
1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Assessed Valuation	Per Cent of 1930-31	Assessed Valuation	Per Cent of 1930-31	Assessed Valuation	Per Cent of 1930-31
1930-31...	\$1,669,520,368	100.0	\$963,684,882	100.0	\$705,835,486	100.0
1931-32...	1,598,505,725	95.7	941,200,942	97.6	657,304,783	93.1
1932-33...	1,396,805,695	83.6	843,351,810	87.5	553,453,885	78.4
1933-34...	1,191,893,516	71.4	699,420,415	72.6	492,473,101	69.8
1934-35...	1,177,923,712	70.5	685,793,298	71.2	492,130,414	69.7
1935-36...	1,198,901,830	71.8	707,219,829	73.3	491,682,001	69.6
1936-37...	1,201,403,457	71.9	706,634,983	73.3	494,768,474	70.1
1937-38...	1,233,888,340	73.9	726,810,571	75.4	507,077,769	71.8
1938-39...	1,263,304,596	75.7	757,372,689	78.6	505,931,907	71.7
1939-40...	1,269,537,792	76.0	771,742,726	80.8	497,795,066	70.5

in the twenty-two school districts in 1930-31 was \$1,669,520,368, but from that year until 1934-35 it dropped until it was only 70.5 per cent of the assessed valuation in 1930-31. By 1939-40, the valuation of the twenty-two school districts had shown a slight tendency to regain some of the loss, but was then only three-fourths of the 1930-31 amount.

The assessed valuation of the twenty-two school districts, however, shows a percentage drop which was less than that of the state as a whole. In Table 12, the column showing per cents, as compared with the per cent column in Table 11, reveals that, for each year of the ten-year period following 1930-31, the assessed valuation of the state decreased more than that in the school districts under investigation. In 1932-33, the valuation of the state had dropped twenty-two per cent from the 1930-31 level, while the valuation of these school districts had dropped only 16.4 per cent for the same period. By 1934-35, the assessed valuation of the twenty-two school districts had reached the lowest point, while in the state as a whole the lowest valuation came in 1935-36.

The effect, then, of the depression as reflected in lowered assessed valuations has been a big factor during these ten years in contributing to a reduction in revenue in the twenty-two school districts and in the state, but the effect in the selected school districts was relatively less than in the state as a whole, as far as assessed valuations are concerned.

Table 12 also contains information on the assessed valuation of the school districts in two groups of eleven districts each, and the per cent which the assessed valuation of each year bears to the assessed valuation in 1930-31. The first group is composed of eleven school districts in cities which, between 1934 and 1936, voted to place their municipal tax rates under the fifteen mill over-all property tax limit. The second is a group of eleven school districts in cities in which the municipal tax rates have not at any time been under the fifteen mill limit. It should be kept in mind that all tax rates for operation purposes in school districts are under the fifteen mill limit unless by a vote of the electors the limit may be increased for a definite time, not to exceed five years.¹ It should also be remembered that all municipal tax rates were outside the limit prior to 1934.

¹Constitution of Michigan, Article X, sec. 21.

From 1930 to 1932, the year the property tax limit was adopted, the total assessed valuation in the school districts in the first group of cities declined 12.5 per cent, while in the second group it declined 21.6 per cent. In the year 1932 came the property tax limit on the rate, effective on taxes levied in 1933. Table 12 shows that the assessed valuation continued to drop, in each group of school districts, down to 1934-35, when the valuation in the first group reached the lowest point--28.8 per cent under the valuation in 1930-31. In the second group of school districts, the lowest assessed valuation was in 1935-36, and was 30.4 per cent under the 1930-31 figure. The schools in the non-fifteen mill cities increased the assessed valuation slightly following the low year, 1935-36, but even in 1939-40 their valuation was still 29.5 per cent under that of 1930-31, which was a lower point than was reached by the fifteen mill cities in any year during the ten-year period.

All of the school districts in the fifteen mill cities, with the exception of a small city, North Muskegon, show decreases in assessed valuation in 1940 over 1930 which are quite comparable. North Muskegon shows an increase in assessed valuation of approximately fifteen per cent. Pontiac shows a decrease of approximately thirty per cent. This was the largest per cent of decrease shown in any school district in this group.

The schools in the non-fifteen mill cities all report lower valuations in 1940 than in 1930. The district showing the greatest reduction was Benton Harbor, where the reduction was practically fifty per cent. School districts showing a reduction of thirty per cent or slightly less are Highland Park, Lansing, Hamtramck, and Dearborn. The schools in the non-fifteen mill cities showing the least drop in valuation during the ten-year period are: Ann Arbor, Kalamazoo, Hastings, Escanaba, and Port Huron.

The data show a reduction in assessed valuations in the fifteen mill cities, on the average, of more than twenty per cent, and in the non-fifteen mill cities of even a greater amount. This result must be charged to the depression. There is nothing inherent in the property tax limitation measure which would encourage a reduction in the assessed valuation. Also, a significant part of this reduction preceded the tax limitation measure. As a matter of fact, it would appear that a rigid limit on the tax rate might actually encourage an increase in the assessed valuation of

property to attempt to regain revenue lost through the lowering of the rate.

A figure which is more indicative of ability to support education is the assessed valuation per census child (five to nineteen, inclusive). Data are shown in Table 13 to indicate the assessed valuation per census child in these twenty-two school districts, and the same information for each of the two groups of eleven school districts. This information is brought together for the purpose of ascertaining whether there are any distinctive differences that occur in the two groups of schools, and what the results of the depression may be, as reflected in the assessed valuation in its relation to the school census.

The data in Table 13 show that the twenty-two school districts had their lowest valuation per census child in 1935-36, when it was 29.3 per cent under that of 1930-31. Even in 1939-40, the assessed valuation per census child was still 20.2 per cent under the 1930-31 figure.

A comparison of the assessed valuation per census child in the two groups of eleven school districts each reveals that the schools in the fifteen mill cities enjoyed a higher valuation per child on the school census each year of the decade, with the exception of the first two, than the schools in the non-fifteen mill cities, based upon the data reported for 1930-31. In comparing the data shown in Tables 12 and 13, there is a close similarity in the per cent reduction each year in the fifteen mill cities. An interpretation of these data indicates that the assessed valuation and the census have changed at about the same rate in this group of school districts. In the schools in the non-fifteen mill cities, it is revealed that the reduction for 1939-40 in the assessed valuation is considerably more than the reduction in the assessed valuation per census child, based on the figures for 1930-31.

State Equalized Valuation

There are two valuations set for every school district in Michigan. The local authorities establish the valuation upon which local taxes are levied and collected, and the state tax commission establishes an equalized valuation of each school district in the state upon which a set rate is levied in all districts as one of the bases for the distribution of state aid under the terms

TABLE 13
 ASSESSED VALUATION PER CENSUS CHILD IN 22 SCHOOL DISTRICTS AND
 THE PER CENT WHICH THE VALUATION EACH YEAR BEARS TO
 1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Amount Per Census Child	Per Cent of 1930-31	Amount Per Census Child	Per Cent of 1930-31	Amount Per Census Child	Per Cent of 1930-31
1930-31	\$6,095.05	100.0	\$5,792.35	100.0	\$6,563.34	100.0
1931-32	5,888.98	96.6	5,110.66	88.2	6,152.06	93.7
1932-33	5,191.03	85.2	5,176.83	89.4	5,213.68	79.4
1933-34	4,406.81	72.3	4,258.05	73.5	4,636.87	70.6
1934-35	4,315.34	70.8	4,140.86	71.1	4,584.51	69.8
1935-36	4,312.93	70.7	4,185.74	72.3	4,551.89	69.3
1936-37	4,330.42	71.0	4,223.20	72.9	4,602.32	70.1
1937-38	4,443.11	72.9	4,239.89	73.2	4,770.97	72.7
1938-39	4,316.28	70.8	4,488.18	77.5	5,002.70	76.2
1939-40	4,820.19	79.8	4,649.58	80.3	5,110.85	78.1

of the state aid act passed in 1933¹ and subsequent legislation. From 1927 to 1933, the Turner Act² appropriated a small amount of aid (\$1,000,000 in 1928 and \$2,000,000 annually thereafter, up to and including 1932), which was based in part on the state equalized valuation. But few districts received any sizeable amounts from this fund, and therefore reports on the state equalized valuation of school districts were not kept on the majority of local school records prior to 1933. Since 1933, the state equalized valuation for local districts has become a significant figure.

For purposes of computing the amount of state aid, the Department of Public Instruction, under the provisions of the act passed in 1939,³ was instructed to set up three items: (1) a 2 3/4 mill tax (known as deductible millage) on the state equalized valuation, (2) tuition, and (3) primary school interest fund money. If these three items did not provide the minimum amount of \$55 per elementary child and \$75 per secondary school child on average membership, the state provided the remainder.

In 1933, the deductible millage was set by the legislature at three,⁴ in 1935 it was changed to 2 1/2,⁵ and in 1937 it was set at 2 3/4.⁶ In 1941 it was again set at 2 3/4⁷ (or such millage in excess of this amount as is necessary, said millage to be determined by the superintendent of public instruction). This tax rate is known as "deductible millage," because this amount is one of the items deducted from the gross allowance for each district before state aid is apportioned.

The apparent reason for the state equalized valuation is to provide a basis for distribution of state funds only. When the legislature appropriates funds, it does not agree to distribute them to equalize the local burden on the basis of local assessed valuations.

Table 14 shows the local assessed valuation and the state equalized valuation for the two groups of school districts from 1933-34 to 1939-40, inclusive.

It will be noted that the districts in the fifteen mill

¹Public Acts of Michigan, 1933, No. 236.

²Ibid., 1927, No. 293.

³Ibid., 1939, No. 346.

⁴Ibid., 1933, No. 236.

⁵Ibid., 1935, No. 192.

⁶Ibid., 1937, No. 249.

⁷Ibid., 1941, No. 368.

cities established local valuations each year that were below the state equalized valuations, while in the school districts in the non-fifteen mill cities, for all years but the first, the local valuations were greater than the state equalized valuations.

TABLE 14

AVERAGE ASSESSED VALUATION AND AVERAGE STATE EQUALIZED VALUATION OF SCHOOL DISTRICTS IN 22 CITIES FROM 1933-34 TO 1939-40

Eleven School Districts in 15 Mill Cities			Eleven School Districts in Non-15 Mill Cities	
Year	Local Assessed Valuation	State Equalized Valuation	Local Assessed Valuation	State Equalized Valuation
1933-34	\$63,583,674.09	\$72,323,833.10	\$44,770,281.90	\$51,278,773.55
1934-35	62,344,845.27	70,171,030.10	44,739,128.61	43,740,317.28
1935-36	64,292,711.72	67,165,542.73	44,698,363.76	44,006,189.45
1936-37	64,239,543.91	67,256,383.91	44,878,952.22	44,062,880.28
1937-38	66,073,688.27	68,059,935.18	46,097,979.00	44,815,841.55
1938-39	68,852,062.64	68,489,291.82	45,993,809.73	44,845,608.45
1939-40	70,158,429.64	68,882,807.55	45,254,096.94	44,480,205.82
Per Cent Change 1933-40	- 10.3	- 4.7	- .11	- 13.3

To make clear the distinction between low or high local valuations in relation to the state equalized valuation, we have only to understand how state aid is figured. Let us say, (1) that the local assessed valuation of a school district is \$70,000,000 and the state equalized valuation is \$80,000,000, (2) that the amount of tuition for the previous year was \$50,000, (3) that the amount of the primary school interest fund money apportioned to the district was \$150,000, and (4) that the amount to be guaranteed the district based on \$55 per elementary school child and \$75 per secondary school child on average membership is \$500,000.

The $2\frac{3}{4}$ mill tax on \$80,000,000 would equal \$220,000. This amount plus \$50,000 tuition receipts and \$150,000 primary school interest fund money would total \$420,000. This would leave a balance of \$80,000 to be apportioned to the district in state aid in order for the total receipts to equal the \$500,000 guaranteed by the state.

Now when the local tax is collected, it will be $2\frac{3}{4}$

mills on \$70,000,000, which is \$192,500, or \$27,500 less than the amount figured on the basis of the state equalized valuation. Where the state estimated a tax of \$220,000 on state equalized valuation, the district can collect only \$192,500. Following the figures through, it will be seen that if the state equalized valuation had been only \$70,000,000, the state aid would have been \$27,500 more, in order to meet the \$500,000 guaranteed by the state. In other words, the district loses aid when the local valuation is lower than the state equalized valuation, or it gains if the local valuation is higher than the state equalized valuation. This means that schools in non-fifteen mill cities have been receiving more state aid because local valuations have been relatively higher as compared with state equalized valuations.

Comparing the school districts individually, the state equalized valuation in schools in fifteen mill cities was greater in 1940 than in 1933-34 in the following: Battle Creek, Flint, Muskegon, Muskegon Heights, North Muskegon, Saginaw, and Ionia. In Belding, Grand Rapids, Pontiac, and Jackson, the equalized valuations were lower in 1940 than in 1933-34. Grand Rapids is the only city in which there is a very great difference in the equalized valuation in 1933-34 and 1939-40. In this city the valuation dropped over \$42,000,000, a percentage drop of approximately twenty.

Among schools in the non-fifteen mill cities, Bay City, Port Huron, Hamtramck, and Escanaba show slightly higher state equalized valuations in 1940 than in 1933. All the other school districts in this group show a higher valuation in 1933 than in 1940. The decreases in the valuations of all these schools from 1933 to 1940 are very similar. The same situation is true with the schools showing an increase in state equalized valuation over the period.

Referring to Table 14, it will be noted that while the local assessed valuation increased in both groups of school districts, and the state equalized valuation decreased, these two valuations were more nearly comparable in 1939-40 than in 1933-34.

Defaulting Bonds

A factor which certainly contributed to the interest (on the part of the public) in a limit on the property tax rate, was the added burden on taxpayers of the payment of principal and

interest on bonds issued for school buildings and building sites. For forty years preceding 1930, the first year covered in this investigation, the enrollment of American public schools, especially at the secondary level, had increased with an acceleration never before witnessed in the United States nor in any country in the world. During this time the high school enrollment increased nineteen hundred per cent, while the total population increased slightly less than hundred per cent.¹ The forces cooperating to keep boys and girls in school were so effective that by 1936, approximately three-fourths of the youth of high school age were enrolled in some public or private school.² The trend of school enrollment in Michigan was similar to that for the country at large.

This increase in school enrollment was accompanied by an astonishing increase in the number of school buildings, erected chiefly by funds derived from the sale of bonds, representing long term obligations of the school districts, ordinarily twenty to thirty years. At the beginning of the depression, payment on the interest and principal of such bonds created a burden which, in some school districts in Michigan, was quite comparable in size to the portion of the budget used for school operation. In the latter years of the depression, and after the property tax limitation became effective, some of the schools in the State of Michigan reported a debt service tax rate as great as three times that of the tax rate for operation.

The property tax limitation amendment of 1932 brought on a radical departure from the practice of previous years in the manner of issuing bonds. Levies for the payment of principal and interest on bonds for obligations incurred prior to December 8, 1932, were not under the tax limit of fifteen mills but could be assessed outside the limit.³ Levies for payment of bonds issued after December 8, 1932, except bonds issued in a refunding program, must be within the tax rate limit, except that the electors of a school district or other taxing unit have the authority to vote an increase, for a period not to exceed five years, above the fifteen

¹Aubrey A. Douglass, Modern Secondary Education (Boston: Houghton Mifflin Co., 1938), p. 3.

²Ibid.

³Constitution of Michigan, Article X, sec. 21.

mill tax rate limit.¹ The electors cannot increase the total tax to more than fifty mills.²

There would have been wholesale defaulting on bond payments in Michigan if levies for payment of such obligations incurred prior to December 8, 1932, had not been provided for outside the general tax limitation. Most school districts in the state continued to pay principal and interest on bonds, even when they could not fully meet operating obligations.

It is easy to understand what has been the effect on the school building program when it is now necessary to secure a two-thirds majority vote at a special election to carry a proposition for an increase in the tax rate beyond the limitation for the purpose of paying bonds, and when an increase in the tax rate beyond the limit to pay for such bonds may not run for longer than five years. This strict regulation has resulted in practically eliminating school building programs.

The earliest report that a school district had defaulted on bond payments was made by Muskegon Heights. This district defaulted and refunded bonds in 1931-32 to the amount of \$10,000. Again in 1932-33 they refunded \$33,000 in outstanding bonds. Bond payments were defaulted in 1933-34 and again in 1934-35 on \$35,000 each year. They defaulted again in 1936-37 on \$18,000 and report no further difficulty with bond payments.

Pontiac, Hamtramck and Belding failed to meet bond payments in 1932-33. In 1933-34, Belding, Muskegon Heights, Pontiac and Hamtramck defaulted. The amount of the bond payments defaulted by Hamtramck was \$608,000. Again, in 1934-35, Belding, Muskegon Heights, Pontiac and Jackson did not meet bond obligations when due, while Hamtramck reports that all of their delinquent obligations had been met. In 1935-36, Belding, Muskegon Heights and Pontiac again defaulted. Belding was the only school district to report a default in 1936-37, and no school reported failure to meet bond obligations after 1936-37. Kalamazoo, while not reporting any bond defaulting, reports the refunding of twelve issues of bonds during the years 1930 to 1935, totalling \$1,886,000. One issue was refunded at the same rate of interest, five issues at slightly higher rates, and six issues at a considerable

¹Constitution of Michigan, Article X, sec. 21.

²Ibid.

reduction. The net saving to the school district on the total refunding program amounted to \$128,826.00 in interest payments.

Between the two groups of cities, it should be mentioned that while more schools in the fifteen mill group of cities defaulted on bond payments, it is a question whether this was caused by, or whether it may be classed a cause for, the placing of municipal tax rates under the over-all property tax limitation.

Belding, Pontiac, Muskegon Heights, and Jackson are all fifteen mill cities, but there was little defaulting in the school districts in these cities after the limitation on the municipal tax rates became effective. The first city to limit its tax rate was Flint, in the year 1934, and the last was Belding, in November, 1935, for the fiscal year beginning January 1, 1936. The only city in the non-fifteen mill group to report defaulting on bonds was Hamtramck in the years 1932-33 and 1933-34, and this city reported that the following year this delinquency was erased.

Tax Delinquency

One of the factors which contributed most to defaulting on bond payments was the failure of property owners to pay their taxes when due. A brief discussion of tax delinquency and the legal provisions for correcting this situation is included here to indicate the relationship between tax delinquency and the ability of school districts to meet their bond obligations.

The legislature, in 1933, relieved the serious problem of tax delinquency by passing a statute which provided for the "payment of taxes delinquent in 1932 or prior years, in ten equal installments over a period of ten years, beginning on September 1, 1935."¹ This act further provided that payments of delinquent taxes could be made with a collection fee of two per cent of the total tax paid, but without penalties if paid before September 1 of the year the installment was due. If not paid when due, the payments could be made, with interest at three-fourths of one per cent per month on such installment from the due date thereof until the date of payment. Installments due September 1, 1935, and September 1, 1936, and unpaid, could be paid without interest or penalties, but with a collection fee of two per cent on the total amount paid, if paid before September 1, 1937.²

¹ Public Acts of Michigan, 1933, No. 126.

² Ibid., sec.3.

This method of installment payment of delinquent taxes, together with the decrease in property taxes under the tax limitation, provided an opportunity for taxpayers to meet their tax obligations and retain title to their property, which in many instances would otherwise have been impossible.

This action by the legislature no doubt also kept many school districts in Michigan from defaulting on bond payments, since there is a direct relation between tax collections and the ability of the school districts to meet bond obligations. The large amount of delinquent taxes accumulated during the early depression years, and later paid in installments, has been a boon to many a school district that found its current revenue from property taxes greatly decreased through lowered valuations and the reduced property tax rate under the limitation.

From the evidence appearing in this section, it is apparent that non-payment of current taxes, resulting in defaulting on bond payments, contributed not only to the adoption of the general over-all property tax limit, but also to the limiting of tax rates in the eleven municipalities. While a larger number of schools in fifteen mill cities report defaulting on bonds than do the schools in non-fifteen mill cities, this indicates only that the depression was more serious in these cities. This can be explained by the fact that few bonds have been voted for building purposes since the tax limitation was adopted. The tax rate for payment of bonds issued prior to December 8, 1932, may be levied outside the limitation. The tax limitation therefore could not have contributed to defaulting on such bonds.

Tax Rates

With the declining valuation of property during the early years of the depression, and the rapidly increasing delinquency in payment of property taxes, the only way by which more taxes on property could be collected was through an increase in the rate. Such a move was forestalled when the property tax limit was established on November 8, 1932. The limited tax rate at once resulted in a drastic decrease in taxes on property.

A study of the tax rate can be divided into three periods. The first includes the years 1930-31 and 1932-33, the three years included in the investigation before the property tax limit became effective. Secondly, 1933-34 and 1934-35, the period when the

property tax limit was effective in school districts, counties, and townships in the state as a whole, but before any municipalities had voted their tax rates under the limit. The third, from 1935-36 to 1939-40, the period when not only school district, county and township rates were limited, but when municipal tax rates were also under the limit in one group of eleven cities.

Table 15 shows the average tax rates over the ten-year period in the twenty-two school districts, and in the two groups of schools in fifteen mill and non-fifteen mill cities, respectively.

These data reveal that in 1930-31 the average operating rate in the twenty-two schools was 13.08; in 1931-32, it was 12.05; and in 1932-33 it was 12.06. This drop in the rate was slight and was a result of the depression. There was a perceptible drop in the average tax rate between 1932-33 and 1933-34. The average operating rate for the twenty-two schools dropped from 12.06 to 8.62, which was a reduction of 28.5 per cent in one year. By 1934-35, the average rate for operation in the twenty-two school districts was 8.25, which was a reduction of 31.6 per cent from that of 1932-33. This reduction in the tax rate is chiefly the result of the property tax limitation.

In 1935-36 the average operating rate was 6.33, a reduction of 23.3 per cent from 1934-35, caused chiefly from cities placing their municipal rates under the fifteen mill tax limit, when municipal tax rates were in competition with school and county tax rates. The average operating rate rose gradually after 1935-36 until in 1939-40 it was 6.48 mills.

In the columns showing average operating rates of school districts in the fifteen mill and non-fifteen mill cities, respectively, it will be found that after 1934-35, the average tax rate in the fifteen mill group was much reduced, while in the non-fifteen mill group, the reduction was slight. The average operating tax rate in the fifteen mill group was reduced 3.27 mills, or 39.8 per cent, between 1934-35 and 1935-36. In the non-fifteen group for the same year, the reduction was 0.57 mills, or 6.9 per cent.

The placing of municipal tax rates under the limit affected greatly the average operating rates for the school systems within those municipalities. The data in Table 15 reveal that the operating rates in school districts in non-fifteen mill cities were

TABLE 15

AVERAGE TAX RATES FOR OPERATION AND FOR DEBT SERVICE IN
TWENTY-TWO SCHOOL DISTRICTS FOR THE PERIOD
1930-31 TO 1939-40

Year	Twenty-two School Districts			Eleven School Districts in 15 Mill Cities			Eleven School Districts in Non-15 Mill Cities		
	Average Tax Rates			Average Tax Rates			Average Tax Rates		
	For Operation	For Debt Service	Total	For Operation	For Debt Service	Total	For Operation	For Debt Service	Total
1930-31	13.08	1.74	14.82 ^a	13.53	2.24	15.77 ^b	12.66	1.29	13.95
1931-32	12.05	1.73	13.78 ^a	12.51	2.08	14.59 ^b	11.63	1.41	13.04
1932-33	12.06	1.95	14.01	11.51	2.82	14.33	12.62	1.08	13.70
1933-34	8.62	3.97	12.59	8.58	4.74	13.32	9.14	3.18	12.32
1934-35	8.25	4.25	12.50	8.21	4.98	13.19	8.29	3.52	11.81
1935-36	6.33	4.11	10.44	4.94	5.27	10.21	7.72	2.95	10.67
1936-37	6.34	3.71	10.05	5.00	4.40	9.40	7.68	3.03	10.71
1937-38	6.49	3.77	10.26	5.07	4.67	9.74	7.91	2.88	10.79
1938-39	6.41	3.80	10.21	5.00	4.59	9.59	7.78	3.01	10.79
1939-40	6.48	3.45	9.93 ^a	4.94	4.24	9.18 ^b	7.88	3.04	10.92

^aOnly 21 schools reporting.^bOnly 10 schools reporting.

consistently higher each year after 1934-35 than were the rates in school districts in fifteen mill cities. In 1935-36, the average rate for school operation in fifteen mill cities was only 63.9 per cent of the average rate in non-fifteen mill cities. In 1936-37, this percentage was 65.1; in 1937-38, 64.1; in 1938-39, 64.3; and in 1939-40, it had dropped to 62.7, the lowest for any year in the five-year period. This difference is attributed to the placing of tax rates in the eleven cities under the provisions of the constitutional limitation of fifteen mills.

What may have happened to the average tax rate for debt service in these twenty-two school districts is not so important, due to the fact that tax rates for debts incurred prior to December 8, 1932, are outside the limit. Since bonding for building purposes has, since that time, been much restricted, we would expect the tax rate for debt service to decrease as payments for principal and interest on bonds issued prior to December 8, 1932, are met. And this is exactly what is found to be true. In Table 15 we find that the average tax rate for debt service in the twenty-two school districts was highest in 1934-35, and that it decreased gradually after that date until in 1939-40, it was 3.45, or 18.8 per cent under the average rate for 1934-35. It is significant, however, that just when the rate for current operation decreased so drastically, the debt service rate showed a decided increase. While the average rate for current operation decreased 28.5 per cent between 1932-33 and 1933-34, the average tax rate for debt service in the twenty-two schools increased 103.5 per cent.

In the two groups of eleven school districts each, the average rate for debt service was consistently higher each year in the fifteen mill group than in the non-fifteen mill. This average rate reflects either of two factors: (1) that the assessed valuation in the districts of the fifteen mill cities was reduced considerably more than in non-fifteen mill cities, or (2) that the obligations incurred prior to December 8, 1932, in the school districts in the fifteen mill cities were considerably greater. Since it was shown in Table 12 that the assessed valuation in the schools of the fifteen mill cities actually increased after 1934, while it remained almost constant in the other schools, the excessive rate for debt service cannot be explained by a greater reduction in the valuation.

A significant comparison can be made between the average rates for current operation and the average rates for debt service in each group of eleven schools. In the fifteen mill cities, these rates, beginning in 1935-36, are quite comparable in size. In fact, in 1935-36, the average rate for debt service was actually higher than the average rate for current operation. In the schools of the non-fifteen mill cities, the average rate for current operation was, each year, more than twice as high as the rate for debt service.

The following observations will make more clear what has happened to the tax rates in these twenty-two school systems during the period 1930-31 to 1939-40:

1. As a result of the depression, the average rate for operation in the twenty-two schools was reduced 7.8 per cent from 1930-31 to 1932-33.
2. In 1933-34, the first year the tax limit was in effect, the average rate for operation in the twenty-two schools was reduced 28.5 per cent from 1932-33. This reduction was chiefly a result of the tax limitation.
3. In 1935-36, the average tax rate for operation was 23.3 per cent under the average rate for 1934-35. This reduction was chiefly a result of the limiting of municipal tax rates.
4. The total school tax rate in the fifteen mill cities was greater than in the non-fifteen mill cities from 1930 to 1935, and was less for each year thereafter.
5. While the total school tax rate in fifteen mill cities after 1935 was only slightly less than the total rate in the non-fifteen mill cities, the average rate for current operation in the schools in the fifteen mill cities was consistently less.
6. Schools in the fifteen mill cities, after 1936, have been paying almost as much for debt service as for current operation, as far as local taxes are concerned.

Attempts Made by School Districts to Increase Tax Rate Above the Limit

The constitution of Michigan provides that even though all school districts are under the provisions of the fifteen mill limit, by two-thirds vote of the qualified electors the total millage may be increased to fifty for a period not to exceed five years.¹ It is therefore possible for a school district to increase

¹Constitution of Michigan, Article X, sec. 21.

the tax rate either for the operation of the school or for capital outlay. Inquiry was directed to the schools in all the cities in Michigan having a population of 10,000 and over, except Detroit, to ascertain whether elections had been held to increase the school tax rate for either operation or capital outlay. Eight schools replied that they had held such elections. Seventeen replied that they had not. Of the eight voting on the issue, six elections were to increase the rates for capital outlay and two were to increase the rates for operation. The six schools which voted to increase the rates for capital outlay are Adrian, Alpena, Battle Creek, Ferndale, Grosse Point and Ionia. The two that held elections to increase the rates for school operation are Belding and Flint. The first election held was in Ionia in 1936. This election carried by a vote of 520 to 165. Five such elections were held in 1938 in Adrian, Battle Creek, Ferndale, Flint and Grosse Point. Alpena and Belding held their elections in 1940. In Adrian, the election carried by a four to one vote. In Alpena the vote was about three to two against the proposition where an attempt had been made to secure funds to build a new high school. In Battle Creek, the vote was 2,710 to 919 for the increase in the tax rate of three-fourths of one mill, which was to allow the board to erect a new school building. The election in Belding in 1940 did not carry. Ferndale attempted to increase its debt service rate, but the election was lost, although they secured a sixty per cent vote for it. The Flint election lost by a vote of 18,436 against and 2,250 for. Grosse Point carried its election for an increase of one mill on the debt service rate for five years to permit the erection of a school building.

In all, four of the elections were carried, while in four schools the issue was defeated. It is noteworthy that in all four of the instances where the elections carried, the issue was for an increase in the tax rate for capital outlay. The evidence here would indicate that even though the constitution does provide an opportunity for the people of a school district to increase the local tax rate for the operation of schools or for capital outlay, it is seldom done. It appears also that between the two purposes, the one to increase the tax rate for capital outlay has more support from the electors than increasing the tax rate for operation. This is probably due to the fact that no state aid is provided for capital outlay.

The constitution sets up two very strong barriers to the

carrying of any election for the increasing of the tax rate for public schools. The first is the requirement that two-thirds of the qualified electors voting are necessary, and the second is that any increase voted cannot be for a period longer than five years.¹

Battle Creek school district held an election Tuesday, November 25, 1941, for the purpose of increasing the tax rate above the limit to the extent of one mill, to provide more funds for school operation. This proposition was carried by a vote of approximately four to one. Battle Creek spent more than a year in preparing their public for this election. Their public relations program included a series of meetings of industrial groups, and a general mass meeting in which the needs of the school and the limited resources available to the Board of Education were presented. The extra mill is to be levied for a period of three years.

Amount of Money Raised Through Local Taxes on Property for Operation Purposes

Funds raised by taxes on property depend upon three factors: the tax rate, the assessed valuation, and payment of taxes when due. Since all taxes are eventually paid, unless for non-payment of taxes the title of the property passes to the state, or unless title is transferred to the federal government, delinquency of current taxes is usually balanced by the payment of taxes delinquent for previous years. For 1932-33 and for several years immediately following, the current delinquency was greater than the total payment of taxes delinquent for previous years, but since 1937-38, this has not been the case. In fact, some schools report receipts from delinquent taxes during the past three or four years to be considerably higher than the current delinquency.

The amount of money, then, collected through local taxes on property reflects chiefly the assessed valuation and the tax rate. If one of these factors remain constant, the amount of money collected varies directly in proportion to the variation of the other factor. If both the assessed valuation and the tax rate should decrease or increase at the same time, the amount of money collected would decrease or increase, respectively. In proportion

¹Constitution of Michigan, Article X, sec. 21.

to the product of the decrease or increase of the two factors.

The amount of money collected locally from the property tax for operation purposes in the two groups of eleven school districts each, for the period 1930-31 to 1937-38, is listed in Table 16. The per cent which the collections each year bear to those of 1930-31 is given, and also the per cent which the tax collections each year bear to the total operating expenditures.

For purposes of distinguishing between results of the depression and results of the property tax limitation, an analysis of property tax collections is divided into three periods:

1. 1930-31 to 1932-33, the three-year period before the over-all property tax limit became effective.
2. 1933-34 to 1934-35, the two-year period after the tax limit became effective in the schools, counties, and townships, and before any municipal tax rates were limited.
3. 1935-36 to 1937-38, the three year period when municipal rates were under the limitation in one group of eleven cities.

For the three years prior to the adoption of the tax rate limit, these twenty-two schools report a decreasing amount of taxes collected for school operation purposes. The amount reported for 1932-33 was approximately three-fourths of that collected in 1930-31. The schools which suffered the greater decrease, however, were the ones in the cities which later limited their municipal tax rates. These schools report a decrease of 28.8 per cent in the three-year period, whereas the second group report a decrease of 20.4 per cent.

In relation to the total operating expenditures in the schools, the amount of taxes collected in 1930-31 was 82.8 per cent in the first group of schools and 73.1 per cent in the second group for that year. This percentage decreased to 75.6 in the first group by 1932-33, and increased to 83.4 in the second group. These facts show that the schools of the first group, ever before the adoption of the tax limit, were affected more through decreased tax collections than the schools of the second group. Any distinction occurring prior to 1932-33 in the amount of taxes collected is not a result of the tax limitation, because it became effective with taxes levied and collected in 1933.

During the second period, 1933 to 1935, following the adoption of the tax limit, and preceding the limiting of municipal rates, the ratio of taxes collected to the total expenditures for

TABLE 16

AMOUNT COLLECTED FROM LOCAL TAXES ON PROPERTY FOR OPERATION PURPOSES FOR THE PERIOD 1930-31 TO 1937-38 IN TWENTY-TWO SCHOOL DISTRICTS, THE PER CENT WHICH THE AMOUNT COLLECTED EACH YEAR BEARS TO THAT OF 1930-31, AND TO THE OPERATING EXPENDITURES

Year	Eleven School Districts in 15 Mill Cities				Eleven School Districts in Non-15 Mill Cities			
	Total Collected from Local Taxes for Operation	Per Cent of 1930-31	Per Cent of Operating Expenditures		Total Collected from Local Taxes for Operation	Per Cent of 1930-31	Per Cent of Operating Expenditures	
1930-31	\$10,181,487.59	100.0	82.8		\$5,457,101.36	100.0	73.1	
1931-32	8,530,387.22	83.8	73.3		5,944,558.44	92.0	71.8	
1932-33	7,249,415.43	71.2	75.6		5,141,374.59	79.6	83.4	
1933-34	4,972,578.14	48.8	58.8		3,610,102.27	55.9	65.4	
1934-35	5,322,773.33	52.2	61.4		4,220,092.06	65.3	69.1	
1935-36	4,845,286.89	47.6	51.1		4,159,292.22	64.4	63.0	
1936-37	4,544,237.19	44.6	45.6		4,175,128.29	64.6	57.9	
1937-38	4,175,213.87	41.0	39.6		4,103,757.58	63.4	53.1	

operation showed a decided decrease. The first year of the tax limit, 1933-34, the schools in the fifteen mill group report a decrease in tax collections for operating purposes of 31.4 per cent over the previous year, and the schools in the non-fifteen mill cities report a decrease of 29.7 per cent for the same year. Based on the collections for 1930-31, the amount of taxes collected by the fifteen mill cities for 1933-34 was slightly less than half. The collections for the following year increased slightly in both groups of school districts. The large decrease shown in 1933-34 was chiefly a result of the tax limitation. A portion of this decrease should be charged to lowered valuations brought on by the depression.

During this two-year period, the per cent which the amount of taxes collected for operating purposes was of the total amount spent for operation in the schools decreased very greatly, as shown in Table 16. This percentage was higher, however, in the schools in the non-fifteen mill group than in the fifteen mill group.

Beginning with 1935, when the municipal tax rates in eleven of the schools were under the limitation, there was a gradual decrease in the amount of taxes collected in the fifteen mill cities, until in 1937-38 the amount collected for school operation was fifty-nine per cent under the 1930-31 collections. During the same three years, there was no perceptible decrease in the amount of taxes collected for operation purposes in the schools in the non-fifteen mill cities.

During these three years, the amount of taxes collected, in relation to the total operating expenditures, became less significant. In the schools of the fifteen mill cities in 1937-38, the amount of taxes collected locally was approximately two-fifths of the total amount spent for operation, while in the other group of schools, the amount of local taxes provided slightly more than half of the operating expenditures. This fact would tend to indicate that the schools in the fifteen mill group of cities receive a higher portion of their operating expenditures from other sources than local taxation.

Amount of Money Received from State and Federal Aid in Twenty-two School Districts

In addition to the local tax on property, the major sources

of income for school districts are state and federal aid, including primary school interest fund distributions. Non-resident tuition is also a sizable portion of the income of some of the larger school districts.

Although a previous chapter gives information on the amount of aid distributed by the State of Michigan through the primary school interest fund and other state aid, data which pertain to such aid received by the twenty-two school systems under observation are included here. Since primary school interest fund distributions have been a stable source of income for schools for years, and since state aid through legislative appropriations resulting from the fifteen mill limitation amendment has been an increasingly important figure in the financing of public schools in recent years, these data must be presented in order to show the total amount available for operation in the schools studied.

The non-resident tuition receipts referred to in this chapter include tuition received by the twenty-two school districts from all sources, and should be differentiated from the state-distributed high school tuition described in Chapter V.

A table showing the relative importance of the amount of money received by the twenty-two school districts from various sources, computed by the percentage of the operating expenditures furnished by each, is given later in this chapter.

Primary School Interest Fund Receipts

Data in Table 17 give the total amount of primary school interest fund money received in eleven school districts in fifteen mill cities, and in eleven school districts in non-fifteen mill cities, and the per cent which these receipts each year bear to those of 1930-31. The amount of primary aid to these districts was lowest in 1934-35, when the amount received was approximately forty-three per cent under that received in 1930-31.

As between the two groups of districts, there can be no distinction which results from action taken by cities in limiting municipal tax rates. The only factor that can determine whether any district shall receive more primary money than another district, is the number on the school census. Limiting the municipal tax rates cannot affect, in any way, the amount of primary money a district receives. The decrease in primary money in the twenty-two school systems from 1930 to 1932 was approximately 16.5 per

cent. This came about as a result of the depression, chiefly through lower valuations. From 1932 to 1940, the decrease was about twenty per cent, based on the 1930-31 figures. This decrease was chiefly the result of the property tax limitation, although lowered valuations was a contributing factor.

TABLE 17

AMOUNT RECEIVED FROM THE PRIMARY SCHOOL INTEREST FUND
IN TWO GROUPS OF SCHOOL DISTRICTS OF ELEVEN
CITIES EACH FOR THE PERIOD 1930-31
TO 1939-40

Year	Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Amount	Per Cent of 1930-31	Amount	Per Cent of 1930-31
1930-31	\$ 2,982,300.04	100.0	1,930,830.61	100.0
1931-32	2,954,217.74	99.0	1,905,668.40	98.6
1932-33	2,494,824.04	83.3	1,615,903.03	83.7
1933-34	2,072,100.96	69.5	1,376,579.72	71.3
1934-35	1,715,573.70	57.5	1,102,501.63	57.1
1935-36	1,845,912.04	61.9	1,199,956.41	62.1
1936-37	1,865,435.00	62.5	1,267,489.00	65.6
1937-38	2,628,564.78	88.1	1,464,366.10	75.8
1938-39	2,930,524.17	98.2	1,773,234.42	91.7
1939-40	1,894,971.60	63.5	1,218,037.87	63.1

Receipts from New State Aid

Data are provided in Table 18 which show the total amount of new state aid paid to the two groups of school districts from 1933-34 to 1939-40, the per cent which this amount is of the operating expenditures, and the amount per census child, for each year.

It will be noted that in 1933-34 the new state aid provided less than ten per cent of the operating expenditures in the twenty-two schools. By 1935-36, this percentage had increased to approximately twenty-five, but was slightly higher in the schools in the fifteen mill cities than in the other group of schools. This relative position between the two groups of eleven school districts each maintained down to 1939-40, when the percentage in the case of the schools in the first group had gained slightly over the percentage in the second group of schools.

The amount of new state aid per census child as shown in Table 18 reveals that for each year the amount was greater in the schools in the fifteen mill cities. After the tax rate was limited

in the eleven cities, the difference in state aid per census child increased in favor of schools in those cities. An explanation of this differential is difficult to find.

TABLE 18

TOTAL AMOUNT OF NEW STATE AID RECEIVED BY TWENTY-TWO SCHOOL DISTRICTS, THE PER CENT WHICH THIS AMOUNT IS OF THE OPERATING EXPENDITURES, AND THE AMOUNT PER CENSUS CHILD, FROM 1933-34 TO 1939-40

Eleven School Districts in 15 Mill Cities				Eleven School Districts in Non-15 Mill Cities		
Year	Amount	Per Cent of Opera- ting Ex- penditures	Amount per Census Child	Amount	Per Cent of Opera- ting Ex- penditures	Amount per Census Child
1933-34	\$ 868,459	10.2	\$ 5.28	\$ 465,117	8.9	\$ 4.38
1934-35	1,294,856	14.9	7.08	791,119	12.9	7.37
1935-36	2,585,497	27.2	15.30	1,523,923	23.1	14.10
1936-37	2,960,333	29.6	17.41	1,541,707	21.4	14.34
1937-38	3,272,091	31.8	19.09	1,731,289	22.4	16.29
1938-39	2,386,457	22.3	14.13	1,278,892	16.5	12.71
1939-40	2,950,256	27.7	17.77	1,500,576	19.8	15.40

Tuition Receipts

Data on the amount of tuition received by the twenty-two school districts are shown in Table 19. This information reveals that the amount received by these districts from 1930 to 1937 did not increase materially in either group of schools, and there was a decided decrease for the three years 1932 to 1935 in the schools in the fifteen mill cities. Beginning in 1937, the amount of tuition receipts for non-resident pupils increased perceptibly, and by 1939-40, the amount had doubled in the schools in non-fifteen mill cities and was one and one-half times as much in schools in fifteen mill cities, based on 1930-31 figures. These data reflect the liberal provisions of the state aid acts toward paying high school tuition for non-residents. A portion of the increase reflects the closing of high school grades in small schools and the consequent increase in non-resident pupils in other schools. Funds which may have been reported in payment of salaries and other operating costs preceding the closing of a small school, may later be reported as payment for non-resident tuition.

The property tax limitation, with the resulting action of

TABLE 19

AMOUNT OF TUITION RECEIPTS IN TWENTY-TWO SCHOOLS
FOR THE PERIOD 1930-31 TO 1939-40, AND THE
PER CENT THE RECEIPTS EACH YEAR BEAR
TO THOSE OF 1930-31

Year	Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Amount	Per Cent of 1930-31	Amount	Per Cent of 1930-31
1930-31	\$ 333,169.21	100.0	\$ 196,088.33	100.0
1931-32	320,081.72	96.1	166,778.86	86.1
1932-33	255,768.61	76.7	197,557.61	100.8
1933-34	274,931.54	82.5	208,965.24	106.6
1934-35	255,871.64	76.9	200,289.57	102.1
1935-36	318,110.32	95.5	162,785.50	83.0
1936-37	319,577.91	95.9	201,995.79	103.0
1937-38	389,547.05	116.9	280,804.18	143.2
1938-39	377,767.86	113.4	296,704.55	151.3
1939-40	509,105.28	152.8	405,433.50	206.8

the legislature in providing new state aid, has greatly increased the amount of money received for non-resident tuition in the twenty-two school districts during the last three years of the decade covered in this investigation. There are advantages to this result which outweigh by far the financial returns. Closing of small schools in which pupils are not provided with an enriched program of curriculum or extra-curriculum work is far-sighted. The Michigan state aid acts have, since 1935, encouraged the consolidation of small schools with larger ones, and through the payment by the state of high school non-resident tuition, pupils are free to attend a secondary school of sufficient size to offer an enriched program.

Vocational Aid

Some of the schools of the state receive aid either under the Smith-Hughes Act or the George-Deen Act. The former act provides aid on a matching basis between the state and federal governments for courses organized and operated according to an approved state plan, in the fields of trades and industry, home economics, and agriculture.¹ In order to receive an appropriation

¹Public Laws of the United States, 1917, No. 347, Chap. 114.

under this act, a state must, through legislation, accept the provisions of the act and create a state board to coöperate with the Federal Board for Vocational Education.¹ The State of Michigan enacted such an acceptance statute in 1919.² An act "to provide for the further development of vocational education in the several States and Territories," called the George-Deen Act, provides aid under similar circumstances for certain courses in business education.³

Table 20 shows the amount of vocational aid received by the twenty-two school districts studied, for the period 1930-31 to 1939-40, and the per cent which the amount received each year bears to that received in 1930-31. All vocational aid reported for years prior to 1937-38 has been from the Smith-Hughes Fund.

An analysis of the data on vocational aid to the twenty-two school districts made in Table 20 reveals that the lowest amount received during the ten-year period was in 1932-33, and the highest amount was in 1939-40. In 1932-33, the vocational aid was about two-thirds of that received in 1930-31. While this amount of aid was not large, even in 1930-31, as compared with total school revenue, yet the decrease from 1930-31 to 1932-33, when combined with the other decreased items of revenue, operated to make a great crisis in 1932, the year the property tax limit was placed in the constitution.

A reduction in vocational aid under the Smith-Hughes or George-Deen Acts may come about in several ways. In the first place, federal funds may be reduced, or states may reduce their appropriations for matching purposes. In the second place, schools may reduce the number of courses for which reimbursement will be granted. In the third place, more schools may organize courses for reimbursement, which may lower the amount received by each school. There is little evidence to indicate which of these reasons accounts for the reduction in vocational aid in these twenty-two school districts in 1932-33.

There was a strong move in Michigan during 1937 to organize reimbursable classes under the George-Deen Act, and during the succeeding years a large number of districts received aid from

¹Ibid., sec. 5.

²Public Acts of Michigan, 1919, No. 149.

³Public Laws of the United States, 1936, No. 673, chap. 543.

TABLE 20

AMOUNT OF VOCATIONAL AID RECEIVED BY TWENTY-TWO SCHOOL DISTRICTS
FOR THE PERIOD 1930-31 TO 1939-40, AND THE PER CENT THE
AMOUNT EACH YEAR BEARS TO THAT RECEIVED IN 1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Amount	Per Cent of 1930-31	Amount	Per Cent of 1930-31	Amount	Per Cent of 1930-31
1930-31	\$253,815.37	100.0	\$184,430.01	100.0	\$ 69,385.36	100.0
1931-32	196,288.54	77.3	156,584.36	84.9	39,704.18	57.2
1932-33	172,007.48	67.5	105,128.19	57.0	66,879.29	96.4
1933-34	221,279.17	87.2	148,023.03	80.2	73,256.14	111.2
1934-35	181,395.57	71.7	126,296.39	68.4	55,099.18	79.4
1935-36	259,979.20	102.4	193,840.16	105.1	66,139.04	95.3
1936-37	250,475.12	98.7	178,485.22	96.7	71,989.90	103.7
1937-38	237,845.00	93.7	177,753.83	96.4	60,091.17	86.6
1938-39	277,681.10	109.8	189,953.92	102.9	87,727.18	126.4
1939-40	278,744.32	109.8	177,204.67	96.1	101,539.65	146.3

this source. This, rather than increased aid under the Smith-Hughes Act, may account for the increased amount reported in the later years covered by this investigation.

Vocational aid, however, is in no way based on the amount of state aid which a school receives, and in no way reflects directly the rise or fall of the school tax rates or assessed valuations. Reimbursement under these plans might well reflect high or low percentages of employment, since schools have attempted to provide courses for unemployed youth which would best meet their needs in local industry and business. Such aid might also reflect the income of a school, due to the fact that if the anticipated income is to be low, a school might wish to place more of its courses under a reimbursable plan. There is one feature of the plan, however, which reacts against taking on a large number of reimbursable courses for any year when income is low--a school district must operate a course for a year and pay all expenses; the reimbursement is made during the following year.

A comparison of data reported from schools in fifteen mill cities and schools in non-fifteen mill cities, shows that in 1933-34, the first year the property tax limit was in effect, the schools in the cities which limited their municipal tax rates in 1934 and 1935 received only four-fifths as much vocational aid as in 1930-31, whereas the other group of eleven schools received about one-tenth more aid than in 1930-31. There is no apparent explanation for this difference and that of the following year, but they may reflect the situation in these eleven cities, which helps to explain why they later limited their municipal tax rates. Following the limiting of municipal tax rates in these eleven cities, the average amount of vocational aid received has been less, based on 1930-31 figures, than that received by the school districts in the non-fifteen mill cities.

It is apparent that the property tax limit has greatly influenced the amount of vocational aid received by these twenty-two school districts, or that limiting the municipal tax rates in the eleven cities has had very much effect. It is apparent, however, that a reduction in vocational aid in years just prior to the adoption of the property tax limitation was one of the reasons for the adoption of the limitation.

The vast amount of federal aid given for the support of defense training in the public schools, which began in July 1940,

is not included as a portion of this study. The defense program is supported by the federal government practically one hundred per cent, insofar as instructional supplies and salaries are concerned. The schools contribute quite a share of this program in buildings and equipment, but there is no way by which any amount of funds may be received by a local school district except upon requisition for reimbursement for salaries and supplies.

Total Available for Operation

This item of available revenue for current operation includes all state aid of whatever sort, federal aid, gifts, and returns from local property tax, which, in practically all districts, was the maximum which could be secured from the county allocation board. Most of the districts included in this investigation undertake each year to secure a larger share of the portion of the tax allocated by the commission. In effect, then, school budgeting has lost some of the businesslike characteristics which were becoming so common before the depression and the tax limitation. In most cases, the practice now is to determine the gross amount of revenue available from all sources and then build the budget to match. In most instances, since the tax limitation became effective, it has meant that proposed budgets had to be reduced to meet the available revenue. In a study of ten Michigan school systems, Anderson reports that

The Adoption of the 15 mill limitation law has had far-reaching effects on the administration of the general property tax. It has been converted from an "apportioned" to a "rated" tax. That is, the rate of tax is now determined in advance and applied to the assessed valuation to determine the levy. Prior to the limitation the first step in the process was the determination of the levy or the amount of revenue to be raised; this sum was then divided by the assessed valuation to arrive at the tax rate.¹

Another practice commonly followed before the tax limit became effective, was the carrying of balances in the current operating account. This practice is practically impossible at present. If a school has a sizable balance at the end of the fiscal year, the county allocation commission is likely to take for granted that a reduction in the tax rate for that district is possible,

¹George R. Anderson, "Effects of Property Tax Limitation Law Upon School Support in Michigan" (Unpublished Master's dissertation, Department of Education, University of Chicago, 1939), p. 8.

and will, as a rule, grant an increase in the tax rate to some other governmental unit which possibly had a deficit at the end of the fiscal year. The county, the school district, the township, and those municipalities having limited tax rates, undertake to have as little balance at the end of the fiscal year as is possible. Some units have actually paid off bonds before due out of operating funds, which payments could have been met at the due date from a debt service rate outside the tax rate limit. The payments were made to reduce the balances that would otherwise have accrued, in order to retain the same tax rates the following year. These practices are strictly legal, and, if all governmental units had sufficient operating funds from their limited tax rates, the practice would be perfectly justifiable.

Since school districts do not exist for the purpose of showing a profit at the end of the year, large balances are not expected. But when a district is out of funds on July 1, it is necessary to borrow to pay for current operation. No state aid is paid before the month of September, and taxes in most school systems are not paid until December. The amount of state aid due in September and succeeding months down to January, is not sufficient to pay operating costs for that period. In the 1941 state aid act,¹ the legislature undertook to correct this situation by making possible an advance of state aid to school districts in which it was necessary to borrow funds, with no interest charge on money advanced. This will help in keeping down costs formerly entailed by interest on the short term loans.

To understand more fully the budgetary difficulties that have arisen since the adoption of the property tax limitation, it is necessary to understand that most school districts in Michigan--all of the ones covered by this investigation--maintain a fiscal year beginning with July 1. The counties and townships begin their fiscal years on January 1 and April 1, respectively. Most municipalities, too, begin the fiscal year on January 1. The county tax allocation board makes its allocation during the summer months, at a time when balances or deficits in school districts can be accurately known, but when only estimates of balances or deficits in the other governmental agencies can be made. The school district that shows a deficit can bring a forceful case before the allocation board, but one that shows a sizable balance is in a

¹Public Acts of Michigan, 1941, No. 368.

good position to lose a portion of its tax rate at the hands of the allocation board. The experience of the county allocation boards has shown that school district records are more complete than those from the other governmental units. This situation does not indicate that financial records in counties, townships, and cities are poorly or loosely kept, but it does indicate that in the middle of a fiscal year, it is difficult for the allocation board to base their allocation on factual data in any of the governmental units closing the fiscal year December 31. Almost anything can happen by December 31 to what looked like a fair balance in the previous month of July. To protect in July, what they hope will be sufficient funds to meet budget demands and to provide a safe margin, county, township and city officials often find it necessary to do considerable explaining before the allocation board. The allocation boards have quite often relied, not so much upon the current year, as upon the condition of the budgets at the close of the previous year. By such practice, they can more fairly judge the need for and the effects of the allocation of the tax rate. At the best, the work of the county tax allocation board is difficult, and only in part can it be based upon wholly impartial and factual data.

Regardless of the amount of revenue received from local taxes or from state aid of whatever source, the local board of education is interested chiefly in knowing the total amount available for the operation of schools. These data are shown in Table 20 for the years 1930-31 to 1937-38. There are no reports from the schools of Saginaw or Bay City. Saginaw is a fifteen mill city with a population of approximately 81,000. Bay City is a fifteen city with a population of 47,000.

Information in Table 21 indicates that the total available revenue for operation purposes in the twenty school systems decreased 32.7 per cent from 1930-31 to 1932-33. This decrease was a result of the depression as reflected in lowered valuations and delinquent taxes. The same situation existed, of course, in all other governmental units. This fact is one of the chief reasons for the adoption of the property tax limit. The tax limit, first effective in 1933-34, assisted in creating a further reduction in available revenue for school operation. The lowest point reached was in 1933-34, when the amount reported was 34.2 per cent under that of 1930-31. This was the year when new state aid became

TABLE 21

TOTAL AMOUNT AVAILABLE FOR OPERATION OF SCHOOLS IN TWENTY SCHOOL DISTRICTS,
INCLUDING ALL FUNDS, FOR THE PERIOD 1930-31 TO 1937-38, AND THE
PER CENT WHICH THE TOTAL AMOUNT AVAILABLE EACH YEAR BEARS
TO THE AMOUNT AVAILABLE FOR THE YEAR 1930-31

Year	Twenty School Districts		Nine School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Amount	Per Cent of 1930-31	Amount	Per Cent of 1930-31	Amount	Per Cent of 1930-31
1930-31...	\$20,538,139.31	100.0	\$11,567,612.36	100.0	\$8,970,526.94	100.0
1931-32...	18,592,883.23	90.5	9,988,302.50	86.3	8,604,580.73	95.9
1932-33...	13,821,910.63	67.3	7,485,560.62	64.5	6,336,350.01	70.6
1933-34...	13,512,339.14	65.8	7,639,025.46	66.0	5,873,313.68	65.4
1934-35...	14,247,838.20	69.3	7,963,200.71	68.8	6,284,637.49	70.0
1935-36...	16,467,186.55	80.2	8,979,906.62	77.6	7,487,279.93	83.4
1936-37...	16,852,239.41	82.1	9,139,251.50	78.9	7,712,987.91	85.9
1937-38...	17,634,563.52	85.8	9,422,338.33	81.4	8,212,225.19	91.5

available, but when only \$4,609,604.91 was distributed to the state as a whole, and \$1,333,576.80 to the twenty-two school systems in this study. In 1934-35, \$12,033,130.00 in state aid was distributed. In that year, \$2,085,975.97 in state aid was paid to the twenty-two districts, and the amount available for school operation increased slightly. For the years 1935-36 to 1937-38, the amount of revenue for school operation increased considerably, through additional state aid, until in 1937-38 the amount available was 85.8 per cent of that for 1930-31.

A comparison of the amount of available revenue for school operation in Table 21, with the annual expenditures for school operation in Table 22, shows that for all years prior to 1935-36, the decrease in the amount of available revenue, based on 1930-31 figures, was greater and more rapid than the decrease in the expenditures for operation. Following 1936, each of these items increased at about the same rate.

Beginning in 1935-36, the limited municipal tax rates were effective in eleven cities. During the three years, 1935 to 1938, schools in the non-fifteen mill cities showed a perceptible increase in the amount of total available funds for operation. By 1937-38 the amount available in schools of non-fifteen mill cities was 91.5 per cent of that available in 1930-31, whereas in the nine schools reporting in the fifteen mill cities, this percentage was 81.4.

It appears that limiting the municipal tax rates has had the effect of limiting the total amount of funds available for the operation of schools in those cities, even though the amount of state aid per census child, as shown in Table 18, was higher in the schools in those cities, for every year beginning 1935-36, than in the non-fifteen mill cities.

Annual Expenditures for Current Operation

The annual expenditures in the twenty-two school districts for current operation have been greatly affected by the depression and the property tax limit. From 1930-31 to 1932-33, as a result of the depression, the expenditures for current operation decreased 25.5 per cent. Data are shown in Table 22 on such expenditures in the twenty-two school districts divided between the fifteen mill and non-fifteen mill cities. Current operating expenditures were lowest in 1933-34, the first year the property tax limit was in

TABLE 22

ANNUAL OPERATING EXPENDITURES OF SCHOOL DISTRICTS IN TWENTY-TWO CITIES FOR THE
TEN-YEAR PERIOD, 1930-31 TO 1939-40 AND THE PER CENT THE EXPENDITURES
EACH YEAR BEAR TO THOSE OF 1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Annual Expenditures for Operation	Per Cent of 1930-31	Annual Expenditures for Operation	Per Cent of 1930-31	Annual Expenditures for Operation	Per Cent of 1930-31
1930-31...	\$21,119,149.02	100.0	\$12,286,511.94	100.0	\$8,832,637.08	100.0
1931-32...	19,915,300.64	94.3	11,637,165.58	94.6	8,278,135.06	92.4
1932-33...	15,747,154.50	74.5	9,583,448.59	77.9	6,163,705.91	69.8
1933-34...	13,973,075.61	66.1	8,457,238.02	68.8	5,515,837.59	62.4
1934-35...	14,765,273.44	69.9	8,664,929.45	70.5	6,100,343.99	69.0
1935-36...	16,094,876.63	76.2	9,497,993.60	77.3	6,596,883.03	74.7
1936-37...	17,164,769.37	81.2	9,962,223.49	81.1	7,202,545.88	81.5
1927-28...	18,243,441.81	86.4	10,528,380.60	84.9	7,715,161.21	87.3
1938-39...	18,452,287.11	87.3	10,575,427.43	86.9	7,776,859.68	88.0
1939-40...	18,228,276.63	86.3	10,626,197.67	86.5	7,602,078.96	86.1

effect. In this year, the expenditures were just two-thirds as much as they were in 1930-31. The operating expenditures began to increase in 1934-35 and increased gradually until 1939-40, when they were still 13.7 per cent under 1930-31.

A comparison of current operating expenditures in the two groups of eleven school districts each, shows that each group spent least for operation costs in 1933-34, but the reduction in the districts in the non-fifteen mill group was greater. At that time, all the twenty-two cities had their municipal tax rates outside the limit. For 1931-32 and 1932-33, the reductions are results of the depression, while in 1933-34, the tax limit was in its first year, and it, plus the depression, resulted in the greatest reduction of any year during the decade.

With the year 1935-36, the tax limit had become effective in all the eleven cities in the fifteen mill group. Thereafter the schools in the non-fifteen mill cities had an operating cost which was slightly more than the schools in the fifteen mill cities, based on 1930-31 figures, yet this difference was slight. Whatever difference there was must undoubtedly have occurred as an effect of the tax limit in the eleven cities. Prior to the effective dates of the municipal tax limits, the schools in fifteen mill cities spent more relatively for operation costs than schools in non-fifteen mill cities.

Data in Table 23 show the relative amounts of the operating expenditures reported by the twenty-two school districts for eight years, 1930-31 to 1937-38, from the local tax on property, the primary school interest fund, and other state aid. During 1933-34, the first year under the property tax limitation, approximately ten per cent of the expenditures for school operation came from state aid other than the primary school interest fund. About one-third of the total expenditures that year were from the primary school interest fund distributions and other state aid. By 1937-38, state aid, including primary school interest money, comprised 56.7 per cent of the expenditures in districts in fifteen mill cities, and 41.3 per cent in non-fifteen mill cities. In the majority of the schools reporting, state aid, in 1937-38, comprised slightly over half of the total expenditures for operation. The ratio of state aid to total expenditures is slightly higher for each year after 1932 in the school districts in the fifteen mill cities, when taken together, than in the school districts in non-fifteen mill cities.

TABLE 23

PER CENT OF OPERATING EXPENDITURES FURNISHED BY VARIOUS
SOURCES OF SCHOOL REVENUE IN TWO GROUPS OF SCHOOL
DISTRICTS OF ELEVEN CITIES EACH, FOR THE
PERIOD 1930-31 TO 1937-38

Year	Eleven School Districts in 15 Mill Cities			Eleven School Districts in Non-15 Mill Cities		
	Per Cent of Operating Expen- ditures Furnished by			Per Cent of Operating Expen- ditures Furnished by		
	Local Tax on Property	Primary School Fund Distribu- tions	Other State Aid	Local Tax on Property	Primary School Fund Distribu- tions	Other State Aid
1930-31	82.8	24.3	.6	73.1	21.8	.9
1931-32	73.3	25.3	.9	71.9	23.0	1.5
1932-33	75.6	26.0	.4	83.4	26.2	.7
1933-34	58.8	24.5	10.2	65.4	24.9	8.9
1934-35	61.4	19.3	14.9	69.1	18.7	12.9
1935-36	51.1	19.4	27.2	63.0	18.2	23.1
1936-37	45.6	18.7	29.6	57.9	17.6	21.4
1937-38	39.6	24.9	31.8	53.1	18.9	22.4

It can be expected that as state aid increases to the point where all school districts can maintain adequate programs, these differences in current operating costs will tend to disappear. At present, the state aid formula provides comparable aid for schools in both groups of cities, but the local tax rates are higher in non-fifteen mill cities, not so much because these districts have a greater desire to levy higher rates, but chiefly because they have the power to do so. Obviously, the legislature could not provide any more aid to schools in cities where municipal rates are limited, than to schools in cities which have not limited municipal rates. This divided situation among municipal rates is unwholesome, and causes considerable dissatisfaction. It would appear that a better plan could be evolved if either of two procedures were followed, (1) if all municipal rates were placed under the property tax limit, or (2) if no municipal rates were permitted to be under the limit.

Summary

An analysis of the financial data presented in this chapter appears to support the following statements.

1. The assessed valuations in the twenty-two school systems decreased sharply from 1930 to 1934, as a result of the depression. Following the effective date of the property tax limitation in 1933-34, the assessed valuations showed no further decline, and by 1939-40 had increased slightly. From this fact it is apparent that a limit on the tax rate tends to encourage higher assessed valuations, or at least to discourage a decrease in assessed valuations.

2. Following the limiting of municipal tax rates in 1934-35 and 1935-36, the assessed valuations of school districts in those cities increased considerably more than those of schools in the non-fifteen mill cities, indicating that limiting the tax rate of the municipalities encourages further increasing the assessed valuation.

3. If the local assessed valuation of a school district is as high or higher than the state equalized valuation, the district will profit in state aid.

4. There is no doubt that lowered valuations, resulting from the depression, contributed largely to the enactment of the property tax limitation.

5. The evidence clearly shows that defaulting on bonds, and tax delinquency in general, contributed to the immediate adoption of the property tax limitation.

6. It is evident that the depression influenced the eleven cities to limit their municipal tax rates.

7. Passage of the property tax limitation prevented wholesale defaulting on bonds.

8. Providing for the payment of bonds outside the limit made it possible for districts to meet bond payments, keeping their districts solvent and retaining their credit.

9. The average tax rate for operation purposes in the twenty-two school systems was greatly reduced when the tax limit was adopted, while the tax rate for debt service was, at the same time, practically doubled.

10. Limiting the tax rates in eleven municipalities further reduced the average tax rate for operation, in the eleven school systems in these cities, by almost one-half.

11. Elections to increase the tax rate for school districts have not been held in the majority of the school systems. In the eight schools holding such elections, four were successful while

in four the propositions were defeated. The propositions to increase the rate for capital outlay has received more favorable support from the electorate than an increase in the operation rate.

12. The amount of taxes collected locally for operation purposes decreased more than half in the twenty-two school systems from 1930-31 to 1937-38. The decrease in local tax collections in school districts in fifteen mill cities was significantly greater than in schools in non-fifteen mill cities. Beginning in 1933-34, the property tax limit produced a reduction in taxes collected for operation in the first group of schools of 51.2 per cent from the 1930-31 figure, and a reduction of 44.1 per cent in the non-fifteen mill cities. Schools in the fifteen mill cities had further reduction in taxes collected after 1935, while schools in non-fifteen mill cities showed an increase in tax collections from 1935-34 to 1937-38.

13. Receipts from the primary school interest fund are dependent in part upon the assessed valuation of property, and upon the tax rate. This fund was decreased in the twenty-two school systems approximately 16.5 per cent from 1930-31 to 1932-33. There was a further drastic decrease in 1933-34 as a result of the tax limit and the depression.

14. Limiting municipal tax rates has not affected returns from the primary funds.

15. The new state aid acts, from 1933 to 1941, have resulted from the property tax limitation.

16. The amount of state support for public education has greatly increased since the property tax limit was passed.

17. Schools in fifteen mill cities have received a greater amount of new state aid per census child than the schools in non-fifteen mill cities.

18. Evidence shows that it is difficult to equalize the educational burden in the state through state aid, when certain municipalities have limited their tax rates while others have not. It would appear that the wisest policy would be either to prevent the placing of any municipal rates under the fifteen mill limitation, or (and the less desirable) to place all municipal rates under the limitation.

19. The state, in 1933, adopted the policy of paying all or a portion of the tuition of non-resident high school pupils. The total amount now paid by the state is a very significant figure.

20. The paying of non-resident high school tuition by the state has resulted in the offering of educational advantages in an enriched school program to thousands of secondary school pupils.

21. The total amount of revenue available from all sources for the operation of twenty of the twenty-two school districts reporting was lowest in 1933-34, the first year of the property tax limitation. The total available revenue for the operation of schools in fifteen mill cities at the end of the decade was still ten per cent lower than in schools in non-fifteen mill cities, based on amounts reported for 1930-31.

22. The operating expenditures in the twenty-two school systems were curtailed, on the average, about one-fourth from 1930-31 to 1932-33, as a result of the depression. As a result of the tax limit and the depression, there was a further reduction in 1933-34, with a gradual gain thereafter.

23. Limiting the municipal tax rates in the eleven cities did not appear to affect greatly the amount spent for operation in the public schools, since the relative amount, compared to that spent in schools of non-fifteen mill cities, was about the same, based on the percentage of 1930-31 expenditures.

24. The restrictive effects of the limitation amendment and the curtailed building programs will become more apparent the longer the limitation is in operation.

CHAPTER VII

EFFECTS OF THE PROPERTY TAX LIMITATION AMENDMENT UPON THE PERSONNEL OF SCHOOL DISTRICTS

Introduction

The effects of a depression or a property tax limitation upon the financial support of school systems is usually the easiest effect to measure and is not difficult to observe by the average citizen. But a drastic change in school finances, or an immediate shift in the sources of school revenue, often cause changes in the school personnel and school services which may be less evident but nevertheless just as great. This chapter deals with the effects of the limitation on the school personnel.

The most vital aspect of any school is the relation between the teacher and pupil, or the teacher and learner. Any study of the effects of the property tax limitation would be wholly inadequate unless it attempted to reveal what has happened to the personnel of the school systems, the school enrollment and the enrollees. Whatever may happen to the financial conditions within a school district will be beneficial or detrimental in the degree that the learning situation is influenced or changed.

The present chapter will attempt to reveal what has happened in the twenty-two school systems during the decade 1930 to 1940, to the following: school census, public school membership, non-public school membership, number of classroom teachers, number of school principals, total educational staff, the relation of the number of pupils on average membership to the number of classroom teachers, teacher turnover, and experience of teachers.

As in the previous chapter, the analysis of the information on school personnel in this chapter is made with the thought of distinguishing between results of the depression and results of the property tax limitation. Again, the writer must admit that it is not possible to label definitely a list of effects brought on by the depression and another list of those brought on by the property tax limitation. But by dividing the decade into three

periods, and by studying the changes in school personnel during each period, appropriate observations can be made as to the results attributed to the depression, to the property tax limitation, and those resulting from the limiting of the municipal tax rates in eleven cities.

As defined in the preceding chapter, these periods include three years before the limitation became effective, two years after it became effective but before municipal tax rates were limited, and five years when municipal tax rates were limited in eleven cities.

School Census

School districts in Michigan are required by statute to take the census annually, during the last twenty days in the month of May. The census roll includes the names of all children who are five years of age and under twenty years of age on May 31, except those excluded by the following legal provisions:

In taking the census in any school district the enumerators shall not include in the census the names of any child or children in reformatories or prisons; nor the names of any child or children in asylums, alms-houses, or other charitable institutions except children in such institutions who regularly attend the public schools, children living in the school district placed in homes licensed by the state welfare commission who have been placed in said homes under the order or direction of the state welfare commission and who regularly attend the public schools, children living in the school district placed in homes designated by a court and who regularly attend the public schools, and orphans whose parents at the time of death resided in such school districts or city. Children living in any institution as described in this section shall be included in the district where such institution is located. In all other cases, the legal residence of the child is that of the parent: Provided, however, That when a child, whose parents or legal guardian are unable to contribute to his support, is furnished a home in the school district, the name of said child shall be placed on the census list of said district and said child shall be given all school privileges provided by the district in which said home is located.¹

The statutes provide also that the names of all children from birth to twenty-one years of age who are physically handicapped shall be listed by the census enumerators, who shall report the type of physical handicap: "Said census enumeration shall include separate lists of all crippled and physically handicapped

¹ General School Laws of Michigan, Revision of 1940, sec. 590.

children from birth to the age of twenty-one years."¹

Some school districts go even further and collect information concerning the employment status of graduates and of those who left before graduation.

The census has been the basis for the distribution of the primary fund ever since it was established. All state aid acts passed since the passage of the fifteen mill limitation amendment, with the exception of the most recent one passed in 1941, have provided for a primary supplement fund which is also distributed on the basis of the school census.

Even though the "primary supplement fund" as established in the new state aid acts from 1933 to 1941 was distributed on the census, schools which received equalization aid in reality depended upon average membership and not upon the census for their state aid. It was only in those districts that did not receive equalization where the state aid was based on the census. To explain this situation, it is necessary to look at an actual case. First, let us take School A, in which the gross allowance on average membership is \$500,000. To match this, let us assume that a tax of 2 $\frac{3}{4}$ mills will raise \$100,000.00, that the primary school interest distribution is \$150,000, and that the tuition receipts for the previous year were \$50,000. These three amounts equal \$300,000. The state will provide the difference, which is \$200,000. But let us suppose that aid from the "primary supplement fund" (applied first) is only \$100,000. Then the amount from the "equalization fund" is \$100,000. If the amounts from the "primary supplement fund" and the primary school interest fund had been less, the amount from the "equalization fund" would have been more. So, in reality, the average membership and not the census was the basis upon which the aid was distributed.

Now take School B, where all figures were the same, except that the "primary supplement" aid was \$250,000. The school would receive the full amount, which would be \$50,000 in excess of the gross allowance. Consequently, the census was the basis upon which aid was received, and not the average membership.

This situation led to the revision of the state aid act in 1941, and the elimination of the "primary supplement fund."²

¹ Ibid., sec. 593.

² Public Acts of Michigan, 1941, No. 368.

The primary school interest fund will, of course, continue to be distributed on the basis of the census, since this fund and the provisions for its distribution are established by the state constitution.¹

Table 24 gives the number of persons on the school census in the twenty-two school districts, for the period 1930-31 to 1939-40.

Information in this table indicates that the number on the census rolls decreased from 1930-31 to 1932-33 and then increased gradually until 1937-38, when it was 1.4 per cent more than in 1930-31. Following 1937-38, the number on the census dropped, until in 1939-40 it was 3.8 per cent under the 1930-31 figure. It is difficult to see how any observation can be made from these data on the census which is in any way related to the property tax limit. The school districts showing a decline in the census over the ten-year period were: Belding, Grand Rapids, Muskegon Heights, Jackson, Ionia, Bay City, Highland Park, Hamtramck, Kalamazoo, Hastings and Escanaba. The one showing the greatest loss was Hamtramck, which lost 7,457. The other eleven school districts showed a gain in the number of persons on the census, Flint having the greatest, a gain of 4,000.

A decrease in the census will automatically effect a decrease in the returns from the primary school interest fund. However, under the terms of the act passed in 1941, the average membership will determine the amount of state aid, and unless the average membership decreases, the school district will not lose aid because of a decreasing census. The census roll does, however, represent the potential load that may be placed upon a public school district. With the growing interest in nursery schools, adult education, and junior colleges, it is conceivable that public school membership may approximate or even surpass the census list.

Average Membership in Public Schools

The average membership of pupils in the public schools has been, since 1933-34, a very important child accounting record. Ever since the state aid act² was passed in 1933, the average

¹Constitution of Michigan, Article X, sec. 1.

²Public Acts of Michigan, 1933, No. 236.

TABLE 24

NUMBER OF PERSONS ON THE CENSUS IN TWENTY-TWO SCHOOL DISTRICTS
FOR THE PERIOD 1930-31 TO 1939-40

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Number on Census	Per Cent of 1930-31	Number on Census	Per Cent of 1930-31	Number on Census	Per Cent of 1930-31
1930-31.....	273,914	100.0	166,372	100.0	107,542	100.0
1931-32.....	271,440	99.1	164,597	98.9	106,843	99.3
1932-33.....	269,063	98.2	162,909	97.3	106,154	98.7
1933-34.....	270,466	98.7	164,258	98.7	106,208	98.7
1934-35.....	272,962	99.6	165,616	99.5	107,348	99.8
1935-36.....	276,976	101.1	168,959	100.5	108,017	100.4
1936-37.....	277,433	101.3	169,929	102.1	107,504	99.9
1937-38.....	277,706	101.4	171,422	103.0	106,284	98.8
1938-39.....	269,515	98.4	168,873	101.5	100,642	93.5
1939-40.....	263,379	96.2	165,981	99.7	97,398	90.5

membership of pupils enrolled in public schools has been the basis for establishing the gross allowance which the state has set as a minimum program for all schools. This record became even more important when in 1941 the legislature passed an act¹ which will distribute practically all aid on the basis of average membership. The definition of membership was also changed in 1941. Whereas all acts from 1933 to 1941 permitted full time membership, regardless of the time spent in school, to all post graduates, persons over twenty-one in public school attendance, pupils in evening school working toward high school credit, and even for all pupils in a school grade operated on a part-time basis, the act of 1941 requires, for purposes of state aid, that all part-time students be counted on membership for the portion of the school day such student is actually in attendance. For example, a post graduate student taking three high school courses for credit may be counted as three-fourths of one full-time membership. Such post graduate must take the regular high school courses to be counted in membership. In other words, work of the thirteenth grade may not be offered for state reimbursement under the new act. Also, no student enrolled in the public schools who has reached his twenty-first birthday may be counted in membership for purposes of state aid. The child accounting records and state reports are now (August, 1941) undergoing changes to conform to the provisions of the new act. These strict provisions were made for the purpose of correcting some practices that had grown up of reporting on membership persons not regularly enrolled in the public schools, and with the purpose of making state aid available for grades kindergarten through twelfth grade only. However good the intentions were of those framing and sponsoring the legislation, there will undoubtedly be some injustice done to a few persons over twenty-one who wish further high school credit, and certainly there has been a decided blow struck at apprentice training, evening school work, and a definite precedent has been established opposing upward extension of the public schools. On the other hand, the provisions of the new act will serve to call the attention of some districts to phases of their program for which state aid is allowed.

Data on average public school membership in the twenty-two school districts are given in Table 25. These figures show that

¹Ibid., 1941, No. 368.

TABLE 25

TOTAL NUMBER OF PUPILS ON AVERAGE MEMBERSHIP IN PUBLIC SCHOOLS IN TWENTY-TWO CITIES
OVER THE TEN-YEAR PERIOD, 1930-31 TO 1939-40, AND THE PER CENT WHICH THE
AVERAGE MEMBERSHIP OF EACH YEAR BEARS TO THAT OF 1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Average Membership	Per Cent of 1930-31	Average Membership	Per Cent of 1930-31	Average Membership	Per Cent of 1930-31
1930-31.....	192,443.8	100.0	117,872.9	100.0	74,570.9	100.0
1931-32.....	195,306.1	101.5	119,931.7	101.8	75,374.4	101.1
1932-33.....	196,303.6	102.0	120,598.8	102.4	75,704.8	101.5
1933-34.....	196,817.8	102.4	120,957.1	102.6	75,860.7	101.7
1934-35.....	199,792.5	103.8	124,474.6	105.6	75,317.9	101.0
1935-36.....	199,701.8	103.7	125,036.9	106.1	74,664.9	100.1
1936-37.....	199,278.6	103.5	125,075.6	106.1	74,203.0	99.5
1937-38.....	198,961.5	103.4	127,773.8	108.4	71,187.7	95.5
1938-39.....	195,426.5	101.5	123,865.1	105.1	71,561.4	96.0
1939-40.....	192,669.0	100.1	121,764.1	103.3	70,904.9	90.5

the highest membership was reported for 1934-35, and for the two succeeding years the membership was practically the same. The lower membership of the last two years of the decade reflects the upturn in business and industry, and, to a certain extent, coincides with the drop in the school census as shown in Table 24.

The membership of the schools in the fifteen mill group of cities has each year been above the 1930-31 level. The membership in these schools was highest in 1937-38. The membership in the other group of schools was highest in 1933-34, but decreased gradually from that time until in 1939-40 it was ten per cent under that of 1930-31. These facts would indicate that schools in the fifteen mill cities have had greater financial burdens because of higher memberships, when compared to 1930-31, but for the same reason these schools would receive more state aid, at least the gross allowance would be higher. Reference to Table 18, which gives the amount of new state aid distributed to the twenty-two school districts, reveals that for 1937-38, the year when the fifteen mill group of cities reported the highest membership, the state aid received by those cities comprised 31.8 per cent of their operating expenditures. Since the gross allowance is based on average membership figures for the previous year, a school with a declining membership will be in a favorable situation, whereas a school with an increasing membership will be a year behind. The increased load must be carried for a year before additional state aid is allowable for the increase.

Some of the best examples of effects of greatly increased school membership are in those school districts adjacent to military camps. Battle Creek Public Schools and a suburban district are this year, 1941-42, educating a large number of pupils for whom no state aid will be available until 1942-43. The federal government has given assistance with school buildings made necessary because of the growth in school membership from children of military personnel, but no assistance is provided for current operation.

Of the twenty-two schools, twelve show a decrease in average membership from 1930-31 to 1939-40, ranging from 0.2 per cent in Jackson to 41.4 per cent in Hamtramck. The other schools reporting a decrease in average membership are: Bay City, 0.39 per cent; Muskegon Heights, 0.8; Kalamazoo, 2.6; Ann Arbor, 3.3; Escanaba, 3.5; Ionia, 6.1; Highland Park, 6.1; Grand Rapids, 8.9; Hastings,

13.8; and Pontiac, 14.5 per cent.

Ten schools report an increase in average membership over the decade. They are: Flint, 2.4 per cent; Battle Creek, 2.6; Port Huron, 2.8; Lansing, 3.2; Belding, 4.5; Benton Harbor, 7.5; Saginaw, 13.5; Muskegon, 16.2; Dearborn, 42.5; and North Muskegon, 112.7 per cent.

Non-Public School Membership

Some school districts in Michigan have within their territory a large number of children enrolled in private or parochial schools for whom few or no services are provided by the public school system.

The information collected from the twenty-two cities shows that about one out of every six children enrolled in schools in these cities is in a non-public school. The city of Grand Rapids reports an average of slightly over 10,000 pupils enrolled in non-public schools. Hamtramck, a non-fifteen mill city, has an average non-public annual school membership for the ten years of about 4,000. Bay City, a non-fifteen mill city, and Saginaw, a fifteen mill city, report between 3,500 and 4,000 each for the ten-year period, while Flint reports an average membership of about 3,000 each year. Kalamazoo, Jackson and Lansing average about 2,000 each year. The other cities have smaller numbers enrolled in non-public schools.

Prior to 1933, when there was little state aid in addition to the primary school interest fund money, school districts having a high percentage of children enrolled in non-public schools were in a favorable financial situation, in view of the fact that money from the primary fund is distributed on the census basis. Thus the public schools received the primary money for all children enrolled in all schools in the district, and even for children who had graduated from school but who were residents of the district and had not yet reached their twentieth birthday.

Under Act 236, enacted by the 1933 legislature, and in revisions of this act, the situation has been changed somewhat for schools receiving a portion of their aid through "equalization."¹ Equalization is based on average membership. If a district receives equalization money, the average membership rather than the

¹Public Acts of Michigan, 1933, No. 236.

number of persons on the school census, determines the amount of aid the school district shall receive. If a district did not receive any equalization aid, from 1933 to 1941, the school census in those cases was the basis for the most of their state aid. However, the 1941 act¹ distributes all state aid, exclusive of primary money, on the basis of membership. Under this new act, a notable change in policy was established by the legislature, providing for the payment of state aid to public schools for pupils from private or parochial schools enrolled for part-time work in the public schools. For example, if such pupils enroll in one class in industrial arts in a public school, they may be counted in part-time membership for purposes of state aid. The act also permits a public school to transport non-public school pupils and collect state aid therefor, in those districts in which aid is allowed for transportation to the public school.

It would be a tragic thing for the financing of public education if all of the pupils enrolled in non-public schools should suddenly be transferred to the public schools. The total load would have to be carried for a year before additional state aid, due to increased membership, would provide additional revenue, and the increased membership would then make a heavy drain on the total state aid distributed.

In a few instances in Michigan, parochial schools have, through lack of funds, requested that they be declared public schools. The first school system to accept the parochial schools as a part of the public school system was that of Lake Linden. This transfer was made just after the property tax limitation was adopted. The parochial teachers were retained and religious instruction was given at the close of the day. The public school system has collected state aid for children enrolled in these schools ever since. Few such changes have been effected, and none in the twenty-two systems contributing information for this portion of the study.

Number of Classroom Teachers

The relative number of classroom teachers which a school system employs is a pretty good index of the public attitude toward teacher load and toward individual versus mass instruction of

¹Ibid., 1941, No. 368.

pupils. There were two rather definite policies followed at the beginning of the depression in the reduction in teacher salaries and the number of teachers. Some systems reduced salaries of all teachers an amount sufficient to retain the entire staff. At the other extreme, there were school systems that reduced the number on the teaching staff sufficient to retain salaries practically at pre-depression levels. Then you find systems that fall in between these two extremes, in which there was a reduction in both salaries and the personnel.

The data presented in Table 26 show the change in the total number of teachers in the twenty-two school systems and the per cent which the number each year bears to the number reported for 1930-31. Similar data are shown for the two groups of eleven schools each.

As a result of the business depression, there was a reduction in the number of teachers of 6.9 per cent from 1930-31 to 1932-33. The lowest number was reported in 1933-34, the first year of the property tax limitation. This drop from 1932-33 can undoubtedly be attributed mainly to the property tax limit. This reduction was a drastic one for most of the districts reporting. It greatly encouraged the system of mass instruction in the schools, some of which had been practicing the individualization of instruction. During the same three years when the number of teachers was so reduced, the average membership of the same schools actually increased a total of 2.4 per cent. The effects of such reduction in the teaching personnel must certainly have had serious results upon the learner, but such effects are difficult to measure. For some students, there would be no effects; for others, the effects may be great.

Following 1933-34, the number of teachers increased slightly down to 1939-40. Whatever adverse effects there may have been from property tax limitation, upon the number of teachers employed, appear to have disappeared after 1933-34.

In 1939-40, there were 9.7 per cent fewer teachers in schools in fifteen mill cities than there were in 1930-31, while in the second group, this percentage was 11.1. The property tax limit probably had little influence in this differential, for the preceding section on "average membership in public schools" shows that the schools in fifteen mill cities maintained a considerably higher relative average membership in 1939-40 than the other schools.

TABLE 26

NUMBER OF CLASSROOM TEACHERS IN PUBLIC SCHOOLS IN TWENTY-TWO CITIES FOR THE TEN-YEAR PERIOD, 1930-31 TO 1939-40, AND THE PER CENT WHICH THE NUMBER EACH YEAR BEARS TO THAT OF 1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Number of Teachers	Per Cent of 1930-31	Number of Teachers	Per Cent of 1930-31	Number of Teachers	Per Cent of 1930-31
1930-31.....	7,018.7	100.0	4,201.7	100.0	2,817.0	100.0
1931-32.....	6,924.0	98.6	4,158.0	98.9	2,766.0	98.2
1932-33.....	6,532.5	93.1	3,951.5	94.0	2,581.0	91.6
1933-34.....	6,270.0	89.3	3,799.5	90.4	2,470.5	87.7
1934-35.....	6,281.0	89.4	3,819.0	90.9	2,462.0	87.4
1935-36.....	6,438.0	91.7	3,968.0	94.4	2,470.0	87.7
1936-37.....	6,381.4	90.9	3,874.4	92.2	2,507.0	88.9
1937-38.....	6,341.1	90.3	3,870.6	92.1	2,470.5	87.7
1938-39.....	6,386.9	90.9	3,886.0	92.5	2,500.9	88.7
1939-40.....	6,299.6	89.7	3,793.7	90.3	2,505.9	88.9

In the twenty-two schools as a whole, nine teachers in 1939-40 were teaching as many pupils as were ten in 1930-31, and not only was the teacher load increased through larger classes or through a larger number of classes, the average salaries of teachers, as shown in Table 11, were greatly reduced as well. Teachers in schools in fifteen mill cities appear to have been given heavier burdens as measured by the number of pupils per teacher, and average salaries.

All schools but three report a decrease in the number of teachers in 1939-40 from the number reported in 1930-31. These three are North Muskegon, Hastings, and Escanaba.

In order of percentage reduction in the number of teachers during the ten years, the schools range from twenty per cent to 0.5 per cent in the following order: Belding, Battle Creek, Ionia, Ann Arbor, Grand Rapids, Muskegon Heights, Lansing, Kalamazoo, Muskegon, Highland Park, Hamtramck, Jackson, Bay City, Saginaw, Port Huron, Dearborn, Pontiac, Benton Harbor, Flint. Among the first ten with the highest percentage reductions, the three highest are schools in fifteen mill cities; six of the ten are in fifteen mill cities. While Flint, one of the largest school districts in the fifteen mill group, had a reduction in teachers of only 0.5 of one per cent, Ann Arbor, Lansing, and Kalamazoo, all schools in non-fifteen mill cities, had reductions of 17.7, 16.2, and 13.9 per cent, respectively. Limiting the municipal tax rates appears to have had little effect upon the number of teachers employed in school districts in these cities.

Number of School Principals

The school principalship has become one of the most important offices in school administration in the United States. The principal, in most cities, is considered to be the executive in charge of administration of his building. In many districts, the principal is the sole supervisor of classroom instruction with the frequent exception of supervision in specialized courses. In others, the principal has the assistance of a staff of general supervisors as well. The office of the principal has become the center of the newer developments in the school program, such as promotion of guidance activities, development of cumulative records of pupils, working with school patrons, and the promotion of public relations. The wise principal delegates as many of these

duties as he can, depending upon the interest and training of his faculty, and he will depend largely upon his teachers for assistance in all fields of endeavor, but the principal must be the one to correlate the entire school program for his building. Any marked curtailment in the school administration will, unless wisely planned, greatly curtail the effectiveness of the whole program.

Reports from the twenty-two school districts reveal that the greatest reduction in the number of principals for any single year was from 1931-32 to 1932-33 when five schools--Battle Creek, Flint, Grand Rapids, Muskegon, and Lansing--report a total reduction of 10.5 principals. Battle Creek reported a reduction of four principals, which was the highest number reported by any school. These reductions were made as a result of the depression by combining two schools under one principal.

The property tax limitation became effective in 1933-34. For this year and the one following, the tax limit was in effect but the limiting of the municipal tax rates in the eleven cities had not become effective. During these two years there was a reduction of 9.7 principals, which probably resulted from the property tax limit and the continuing depression.

For the last five years, 1935 to 1940, the municipal tax limits were in effect in all eleven cities, and, as a consequence, school rates were further reduced in most of the schools in those cities. There was a reduction of 17.5 principals in the twenty-two schools during those five years. This reduction may have been a result of the limiting of municipal tax rates and the general property tax limit, under the provisions of which all schools in the state operate.

It is difficult to say with assurance that the elimination of principalships has resulted from the property tax limit, the depression, or from the limiting of municipal tax rates. The school superintendents are practically unanimous in attributing the reduction in principals and teachers after 1932 to the tax limitation. Because of the limitation, schools have been forced to look for small economies from year to year.

The school reporting the greatest reduction during the ten years was Grand Rapids, which reduced its number of principals from 49 to 35. This one district accounts for 37.6 per cent of the total reduction in the twenty-two schools. Grand Rapids accomplished most of this reduction by placing more than one school

under the administration of a single principal. Kalamazoo has recently (September, 1940) reduced the number of principals slightly, but this district used two methods, in order to study the effects of both. In September, 1940, one principal was placed in charge of two schools where formerly there had been two full-time principals. At the same time, another principal was asked to teach half time in her building. This will not be carried much further, due to the fact that the other schools have larger enrollments. No report is available as to the difference between the two situations, but results appear to favor combining two schools under one principal.

Bay City reports a very substantial reduction in principals after 1937-38. This system reduced from thirty-one to eighteen from 1937-38 to 1939-40. Lansing reported reducing from twenty-seven principals in 1937-38 to seventeen in 1939-40. These are both in non-fifteen mill cities. There is no explanation provided for these huge reductions.

Information is given in Table 27 on the number of principals in the public schools in twenty-two cities for the ten-year period, 1930-31 to 1939-40, and similar information for the two groups of eleven cities each.

As between schools in fifteen mill cities and non-fifteen mill cities, it appears from evidence in Table 27 that the schools in non-fifteen mill cities have suffered less through reduction in the number of principals, with the exception of the last two years. Following 1932-33 there was very little change in the number of principals in schools in non-fifteen mill cities until 1938-39. The number of principals dropped steadily in schools in fifteen mill cities after 1932-33 until 1938-39. The evidence indicates that the property tax limit had some effect in reducing the number of principals, and that it was greater in schools in fifteen mill cities. It is difficult to explain what has occurred in 1938-39 and 1939-40. Three of the schools in fifteen mill cities, Battle Creek, Flint, and Grand Rapids, account for most of the increase from 1937-38 to 1939-40. Together, these three report fourteen more principals in 1939-40 than in 1937-38. The two previously mentioned schools in non-fifteen mill cities, Bay City and Lansing, together show a decrease of twenty-three principals in 1939-40 under 1937-38. All other schools in the study show little change these last two years.

TABLE 27

NUMBER OF PRINCIPALS IN THE PUBLIC SCHOOLS IN TWENTY-TWO CITIES FOR THE TEN-YEAR PERIOD, 1930-31 TO 1939-40, AND THE PER CENT WHICH THE NUMBER EACH YEAR BEARS TO THE NUMBER FOR 1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Number of School Principals	Per Cent of 1930-31	Number of School Principals	Per Cent of 1930-31	Number of School Principals	Per Cent of 1930-31
1930-31.....	316.3	100.0	187.3	100.0	129.0	100.0
1931-32.....	317.8	100.4	187.8	100.3	130.0	100.0
1932-33.....	307.3	97.1	179.8	95.9	127.5	98.8
1933-34.....	298.3	94.3	171.8	91.7	126.5	98.0
1934-35.....	297.6	94.1	171.1	91.3	126.5	98.0
1935-36.....	295.5	93.4	169.0	90.2	126.5	98.0
1936-37.....	289.0	91.3	163.0	87.0	126.0	97.6
1937-38.....	290.0	91.6	163.0	87.0	127.0	98.4
1938-39.....	284.9	90.1	175.3	93.6	109.6	84.9
1939-40.....	279.1	88.2	173.3	92.5	105.8	82.0

In all, eleven, or exactly one-half, of the schools report a decrease in principals in 1939-40 under the number reported in 1930-31. Six report the same number, and five report an increase in 1939-40 over the number reported in 1930-31. These five are Flint, Jackson, Escanaba, Hastings, and Port Huron. Altogether, they report an increase of thirteen principals. Flint leads, with six. Muskegon reported a reduction of two principals for the last two years, but reports an addition of two assistant principals. Highland Park reports nine principals for all years except 1939-40, when the report shows six principals and two assistant principals.

These data show that, (1) the depression from 1930-31 to 1932-33, inclusive, resulted in a reduction in principals of 2.9 per cent in the twenty-two schools; (2) during the two years, 1933-34 and 1934-35, after the property tax limit had been adopted and before the effects of placing municipal tax rates under the limit had become operative, there was a reduction of 9.7 principals or 3.0 per cent, based on 1930-31 figures, which reduction could be charged to the over-all property tax limit and the depression; (3) during the last five years, when municipal tax limits were in effect, there was a reduction in principals in the twenty-two schools of 18.5, or 5.9 per cent, based on 1930-31 figures. There was an increase in principals during these five years in schools in fifteen mill cities of 2.2, or 0.8 per cent, and a decrease of 20.7 principals, or 16.0 per cent, in the schools in non-fifteen mill cities for the last five years, based on numbers reported for 1930-31; and (4) the school district of Grand Rapids, in a fifteen mill city, reports a reduction of fourteen principals, over the ten-year period, which is exactly the decrease in all eleven schools in the fifteen mill cities. Reductions and increases in the other ten schools balance each other.

Total Educational Staff

When one knows the total number of classroom teachers and school principals in the school district, he has only a partial picture of the total educational staff. Other administrative officers, supervisory officers and the library and clerical staffs comprise quite a sizable portion of the educational personnel and must be considered in any study which hopes to reveal the complete picture.

Complete replies were not obtained on the total educational

staff from all twenty-two school systems. Only fifteen replies were usable. These show that ten, or exactly two-thirds of those reporting, had the largest numbers on the staff in the period 1930-31 to 1932-33, prior to the adoption of the property tax limitation. Five report their highest numbers on the staff for the years 1936-37 to 1938-39. During 1933-34 and each of the three following years, there was not a single school that did not report a reduction in the total educational staff.

On the other hand, six schools report their lowest number on the educational staff for the year 1933-34, the first year of the property tax limitation. Four report lowest numbers on the staff for 1934-35, and one in 1935-36. This fact indicates that the property tax limitation immediately effected a reduction in the educational staff in at least two-thirds of the schools reporting.

Among the schools in the fifteen mill cities, nine reported information on the total educational staff. Of this number, six schools report their highest numbers in 1930-31. These were: Belding, Grand Rapids, Ionia, Jackson, Muskegon Heights, and Pontiac. North Muskegon reports the highest number in 1936-37, Flint reports the highest number in 1937-38, and Battle Creek in 1939-40. It is noteworthy that just two years after Flint limited the municipal tax rate, the Flint Public Schools report their highest number on the educational staff. North Muskegon limited its municipal tax rate in September, 1934 (effective January 1, 1936), and reported its highest number on the educational staff in 1936-37. These facts indicate that limiting the municipal rates in these instances did not prevent an increase in the educational staff.

Among the schools in the fifteen mill cities, five report their lowest number on the educational staff in 1933-34. They are: Battle Creek, Belding, Flint, Ionia, and Jackson. North Muskegon reports lowest number in 1930-31, Muskegon Heights reports lowest in 1932-33, Pontiac in 1934-35, and Grand Rapids in 1939-40.

Only six of the schools in the non-fifteen mill group reported on the number of the total educational staff. Three of these schools report their highest numbers for 1930-31. They are: Benton Harbor, Highland Park, and Kalamazoo. Hamtramck reports their highest number for 1931-32, and both Escanaba and Hastings report their highest numbers for 1938-39.

The lowest numbers were reported by these six school systems in the following order: Escanaba in 1930-31; Hastings in

1932-33; Benton Harbor, 1933-34; Highland Park and Kalamazoo, 1934-35; and Hamtramck in 1934-35.

There was no attempt made to ascertain the number of clerks and supervisors on the school staffs. Through personal observation in a few of the systems, the writer has some evidence to show that there has been an increase in the number of clerks and a decrease in the number of supervisors, especially in the field of special supervision. Some of the schools represented in this study have been relying more upon school principals for the work of supervision, and less upon subject matter specialists.

The Relation of the Number of Pupils on Average Membership to the Number of Classroom Teachers

The relation of the number of pupils reported on average membership to the number of classroom teachers has been tabulated for each of the ten years as significant in ascertaining the teacher load for this period. Increasing the load carried by teachers was found very definitely to be one of the measures used in meeting the reduction in revenue at the beginning of the depression, and later in meeting the reduction caused by the property tax limitation.

A decrease in the number of teachers is usually easier to absorb in a larger city or in a school system that operates large schools, than in a smaller system. A reduction in teachers can be absorbed by increasing the number of pupils in a room, but when it is necessary to increase drastically the number of teachers in a small system or in a small school, it may become necessary not only to give a teacher more pupils, but also to give her sections of two or more grades, thus adding to the load, both through an increase in numbers and an increase in grades, or subject preparation. Flint and Grand Rapids are the largest school systems among those reporting. Belding, Ionia, and Hastings are the smallest, and would consequently have difficulty in increasing the pupil-teacher ratio as compared with Flint and Grand Rapids.

One of the results of increasing teacher load is the effect upon the fundamental philosophy underlying the instructional method. The method of instruction which suits the instructional material to the needs and abilities of the learner, and offers guidance to all pupils, will naturally be handicapped when the number a teacher must handle is increased to the point where the proper amount of

time cannot be given to each pupil.

Many of our schools are developing what some choose to call the "mental hygiene" approach to teaching. In such a school emphasis is placed upon the child, and the teacher spends a great deal of time in learning more about her pupils, and in learning more about how pupils learn. In such a school, a teacher regards the pupil as an individual for whom cumulative records are kept and guidance is provided in personal, social, emotional, vocational and educational adjustment. In such situations, the teaching process is greatly changed when teachers are given a substantial increase in the number of pupils with whom she must work daily. Authorities are not agreed upon the optimum number of pupils which may be handled by one teacher, but a teacher must divide her time among the members of her class regardless of the number she may have. If the number of pupils is doubled, the time which a teacher may devote to each may not be reduced to one-half, but it certainly is lessened.

The relation of the number of pupils on average membership to the number of classroom teachers in the twenty-two school systems for each year from 1930-31 to 1939-40, is given in Table 28.

TABLE 28

NUMBER OF PUPILS ON AVERAGE MEMBERSHIP PER CLASSROOM
TEACHER IN THE TWENTY-TWO SCHOOL SYSTEMS FOR
THE PERIOD 1930-31 TO 1939-40

Year	Eleven School Districts in 15 Mill Cities			Eleven School Districts in Non-15 Mill Cities		
	High	Low	Median	High	Low	Median
1930-31	38.0	24.3	29.3	41.8	22.9	27.0
1931-32	34.4	22.9	30.0	42.6	24.0	27.9
1932-33	41.3	25.0	32.0	52.5	25.4	29.9
1933-34	40.5	27.0	32.7	51.5	27.6	31.0
1934-35	38.1	27.0	34.0	49.0	27.7	30.7
1935-36	36.9	26.0	34.1	43.6	28.4	29.9
1936-37	36.7	25.0	32.1	38.6	27.6	29.0
1937-38	35.2	25.0	30.0	34.8	27.4	28.9
1938-39	35.1	28.7	30.4	34.0	26.3	27.7
1939-40	37.0	30.0	31.8	34.0	26.3	27.9

These data show that for the first three years, the ratio increased from a high of 41.8 in 1930-31 to a high of 52.5 in

1932-33. The lowest ratio reported during 1930-31 was 22.9. This increased to 25.0 in 1932-33. The median rose from 27.0 in 1930-31 to 32.0 in 1932-33, which was the highest median in the ten-year period. The school district of Kalamazoo reported the lowest ratio in 1930-31, while Hamtramck reported the highest. In 1932-33 Belding reported the lowest ratio and Hamtramck the highest. These differences may have been a result of the business conditions, but it is evident that the depression caused a considerable increase in the ratio of pupils to teachers, from 1930-31 to 1932-33. During these three years, seventeen of the twenty-two school systems report an increase in the pupil-teacher ratio.

During 1933-34 and 1934-35, the range of ratios from highest to lowest decreased. The highest reported for 1933-34 was 51.5 and for 1934-35, 49.0. The lowest ratios reported during these two years increased over the previous three-year period from 25.0 in 1932-33 to 27.0 in 1934-35. The increase in pupil-teacher ratios over this second period is due chiefly to the results of the property tax limitation. Without the limitation, there might have been a slight increase in this ratio after 1932-33, and in fact there might conceivably have been a much greater increase than is reported. While the tax limitation is credited with effecting reductions in revenue and school personnel and services occurring immediately after its adoption, no one knows but that the results might have been even greater in some instances without the tax limitation. For instance, we cannot be sure that tax delinquency would not have been much more serious if the property tax limit had not been adopted.

Beginning with 1935-36 and for the following four years, another factor enters into the picture--the limiting of municipal tax rates in eleven cities. An examination of ratios reported in the two groups of school systems reveals that the highest ratios reported in 1935-36 and 1936-37 were in the schools in the non-fifteen mill group. The highest ratios, however, were reported in the fifteen mill group for the last three years of the decade. The medians reported in the two groups of schools were considerably higher in the fifteen mill group for the last five years.

In order to know whether limiting the municipal tax rates has influenced this situation, let us examine the two groups of schools beginning with 1930-31. We find that the highest ratios were reported from the non-fifteen mill group for the first seven

years, and from the fifteen mill group for the last three years. The lowest ratios were quite comparable throughout the whole period. The medians in the fifteen mill group were higher each of the ten years. The facts would indicate, (1) that the schools in the fifteen mill group maintained higher ratios before the property tax limit was adopted, and for the two years after the property tax was limited, before the eleven municipal tax rates were limited, than they did the latter part of the decade; (3) that limiting the municipal tax rates in 1934-35 and 1935-36 has had little effect as reflected upon the pupil-teacher ratios.

On the whole, the schools represented in this investigation have followed the policy of keeping the pupil-teacher ratio as small as finances would permit. The North Central recommendation on size of classes has been a deterrent, in some instances, to larger classes, but school boards and school officials have worked enthusiastically to prevent the reduction of pupil advantages which comes with the overloading of teachers.

Teacher Turnover

Teacher turnover as defined for the purposes of this investigation refers to the number of teachers leaving the system each year who are replaced by other teachers. A decrease in teaching personnel would not be reflected in this section on teacher turnover, neither would an increase in teachers influence turnover. Increases and decreases in number of teachers were reported previously in this chapter under the section on the number of classroom teachers.

Teacher turnover is not concerned with growth of a school system whereby teachers must be added, nor with necessary reductions for any cause. The only aspect of teacher movement that affects turnover is the extent to which teachers who leave are replaced--the filling of a vacancy by another person. Turnover is more likely to increase in prosperous times when teachers have opportunities for advancement in other systems, or in times of emergencies when teachers, especially men, may be called into national service. At any time when school systems are expanding, the turnover in the state is very likely to be higher, for the reason that many teachers employed for new positions affect the turnover in the school systems from which they come, even though they do not affect turnover in the new positions.

High turnover of the teaching personnel is not necessarily to be regarded as a discredit to a school system. There are many reasons why teachers leave a school system. Probably the most frequent reason is an offer which is more attractive. But such an offer comes more frequently to teachers in a good system, who have made distinct contributions in the teaching profession. Low teacher turnover in normal times may or may not be a favorable situation. More evidence is necessary before judgment can be given.

Three schools in the study report their highest turnover in 1930-31. Benton Harbor reported a turnover that year of 16.0 per cent; Escanaba, 15.2 per cent; and Kalamazoo, 7.9 per cent. The following, Hamtramck reported its highest turnover to be 7.4 per cent. Also during 1931-32, two schools report their lowest turnover for the ten-year period. Muskegon reports a percentage turnover of 1.65, and Hastings 0.0 per cent.

In 1933-34, the first year the property tax limit was in effect, North Muskegon reported its highest turnover to be 24.0 per cent, and Jackson and Hamtramck reported their lowest percentages of 3.0 and 1.6, respectively.

Muskegon Heights reported its highest turnover of 12.38 per cent, in 1935-36. In 1936-37, three school systems reported their percentage of turnover to be highest for the ten-year period. They were: Hastings, with a percentage of 21.0; Muskegon, 15.5; and Dearborn, 10.

Flint and Ionia report their highest turnover in 1938-39, to be 8.0 and 20.0 per cent, respectively. Flint, Muskegon and Escanaba report lowest turnover in 1939-40--7.0, 1.0, and 0.0 per cent, respectively.

To summarize this information by periods, the highest percentage turnover was reported by four school systems from 1930-31 to 1932-33, while two systems report lowest turnover during this time.

In 1933-34 and 1934-35, two systems report highest percentage of turnover, and two report lowest.

In 1935 to 1940, eight systems report their highest turnover, and eleven report their lowest.

From these statements, it is difficult to observe any relation between teacher turnover and the property tax limitation.

Experience of Teachers

Closely related to teacher turnover is the number of years of experience which teachers have had within a given system, and the experience which they have had prior to coming to the system. These data bear a relation to teacher turnover which is somewhat converse. As teacher turnover increases in a school system the average local experience of teachers within that system will decrease. Since turnover is concerned with only the number of teachers leaving the system who are replaced by others, it must be kept in mind that local experience is influenced by teacher movements which do not affect turnover. An expansion in a school system or a retrenchment will affect the average length of experience of teachers within the system, but, as was made clear in the foregoing section, will not affect turnover.

The twenty-two schools were asked to report on the average number of years their teachers had taught in the system, and the average number of years of experience the teachers had had prior to coming to their systems. Because of the difficulty of obtaining this information over a ten-year period unless schools had kept rather accurate records, it has not been possible to secure information for all of the twenty-two schools. Reliable data were secured from eleven school districts for experience of teachers within their systems, and from nine schools for the outside experience of their teachers.

Information is given in Table 29 which shows the lowest and highest average number of years of local experience for teachers within their systems as reported by eleven school districts for the ten-year period 1930-31 to 1939-40, the year when this experience was lowest or highest, and the average for the ten-year period.

For experience within the local systems, nine schools report the lowest average experience for the year 1930-31, and two for 1931-32.

One school reports the highest average experience for 1933-34; one for 1934-35; one for 1935-36; five for 1937-38, and three in 1939-40.

These data would indicate that in the systems reporting, the average experience of teachers has increased since the early depression years, and that down to 1939-40 there is evidence that the local experience of the faculties of these schools was still on the increase. From the beginning of the depression until

TABLE 29

THE LOWEST AND HIGHEST NUMBER OF YEARS OF LOCAL EXPERIENCE FOR TEACHERS WITHIN THEIR SCHOOL SYSTEMS, REPORTED BY ELEVEN CITIES FOR THE TEN-YEAR PERIOD 1930-31 TO 1939-40, THE YEAR WHEN THIS EXPERIENCE WAS LOWEST OR HIGHEST, AND THE AVERAGE FOR THE TEN YEARS

School District	Lowest		Highest		Average for Ten-Year Period
	Average Number Years Experience (Local)	Year	Average Number Years Experience (Local)	Year	
Battle Creek....	7.5	1931-32	12.5	1939-40	9.6
Benton Harbor...	5.5	1930-31	9.3	1935-36	8.1
Escanaba.....	6.8	1930-31	11.5	1939-40	9.2
Hamtramck.....	5.7	1930-31	9.8	1937-38	7.8
Hastings.....	3.8	1930-31	8.3	1934-35	5.9
Highland Park...	7.5	1930-31	15.5	1939-40	12.4
Jackson.....	9.0	1930-31	12.0	1933-34	10.7
Kalamazoo.....	8.9	1930-31	12.2	1937-38	10.8
Muskegon.....	7.7	1931-32	10.1	1937-38	9.3
Muskegon Heights	3.3	1930-31	6.6	1937-38	5.6
North Muskegon..	2.8	1930-31	5.3	1937-38	4.1

1939-40, there was little inducement to teachers to change their occupation. There were some inducements for teachers to seek positions in other systems. From 1937 to 1940, there were eight schools that reported their highest average local experience. Four of the schools were in fifteen mill and four in non-fifteen mill cities.

Considering the experience of teachers prior to appointment to the local schools, we find that four of the schools report their lowest average experience for the years 1930-31; one school reported lowest average outside experience in each of the years 1931-32, 1933-34, 1936-37, 1937-38, and 1938-39. The highest average experience previous to appointment in the local systems was reported by two schools in 1930-31, one in 1932-33, two in 1933-34, one for each of the years 1935-36 and 1936-37, and two for 1937-38.

Since we are concerned more with the average experience of teachers within the schools investigated, it would appear that the data on previous experience is only necessary in knowing whether the schools are drawing very heavily from other systems, and whether teachers with considerable experience are encouraged to secure positions in the systems under investigation.

Little distinction is shown in the length of experience of teachers between schools in fifteen mill and non-fifteen mill cities. There is some evidence, however, that the average local experience of teachers increased after the adoption of the property tax limit.

Length of the School Year

The State Constitution of Michigan has only one reference to the length of the term which public schools shall maintain. This provision establishes a penalty upon all school districts that do not maintain a term of at least five months:

. . . . If any school district shall neglect to maintain a school within its borders as prescribed by law for at least five months each year, or to provide for the education of its pupils in another district or districts for an equal period, it shall be deprived for the ensuing year of the proportion of the primary school interest fund.

The power to set the length of the school term is given to the electors of the school district.

¹Constitution of Michigan, Article XI, sec. 9.

Sec. 10. The qualified voters present at any annual meeting, in districts required to hold annual meetings, shall determine the length of time a school shall be taught in their district during the ensuing year, which shall not be less than nine months in all districts, except in primary districts having a valuation of less than seventy-five thousand dollars, the minimum number of months shall not be less than eight, and in school districts having an assessed valuation of less than thirty thousand dollars and having less than thirty children of school age, the minimum number of months shall not be less than seven on the pain of forfeiture of their share of the primary school interest fund.¹

If the electors fail to designate the number of months in the school year as prescribed by law, it becomes the duty of the Board of Education to do so:

Sec. 11. In case the people do not determine the length of the school year, the district board shall determine the same, and in case the board or the district fix the length of the school year, and later in the year it is found desirable to increase the length of said school year, such action may be taken at a properly called special meeting, or the board shall take such action on petition of a majority of the qualified voters of the district.²

The influence of the primary school interest fund has for many years extended to the establishing of a minimum school term. It will be noted that the constitutional provision and the statutory provisions referring to the minimum school term were based upon the penalty of loss of the district's share of the primary school interest fund. The establishing of such penalties undoubtedly was a big factor in extending the length of the term in many of the school districts in Michigan.

The State Aid Act of 1941 provides that school districts not maintaining a minimum term of nine months shall be subject to a loss in state aid. The requirement reads as follows:

No school district shall share in any apportionment of the school aid fund unless school shall be taught in said district for the minimum length of 9 months: Provided, however, That whenever it shall appear to the satisfaction of the Superintendent of Public Instruction that any district has failed to have the full time of school required by law, through no fault or negligence of the district or its officers, he may, in his discretion, include such district in his apportionment of the school aid fund.³

¹State of Michigan, General School Laws, Revision of 1940, sec. 270.

²Ibid., sec. 271.

³Public Acts of Michigan, 1941, No. 368, sec. 25.

There is no conflict between the provision of the 1941 act and Section 270 of the General School Laws referred to in a previous paragraph of this section. The 1941 act provides a penalty in the loss of state aid funds, whereas Section 270 of the General School Laws provides for the loss of the district's share of primary money. In either case, the school term is determined by the number of days for which the teachers are paid. The 1941 act becomes effective for the school year 1941-42. That is, schools must meet the minimum requirements as to number of days in the school year for 1941-42 in order to share in state aid distributions in 1942-43.

During 1932-33, and for two or three years following, when the financial situation created by the depression was accentuated by the property tax limitation, there were two powerful watch-dogs that stood guard over the school term to prevent reducing it to less than nine months. One was the provision for the loss of primary school interest fund, mentioned previously, and the other, the restrictions imposed by the North Central Association upon the length of term for member school systems.

Before 1930, the practice of operating schools for a ten-month period in city school systems in Michigan had become widespread. Reports from the twenty-two systems in this study reveal that in 1930-31, twenty schools were operating for a ten-month period. Ann Arbor and Lansing were the only school districts which had a shorter term; operating on a nine and one-half and nine and three-quarter basis, respectively. The following year, however, all schools but five report school terms of less than ten months. The five still maintaining a ten-months term were: Flint, Muskegon, Saginaw, Hamtramck, and Hastings. In 1932-33, Flint reduced its term to nine months, and Hamtramck reduced to nine and one-half months. By 1934-35, eight schools report a ten-month term, which shows that the crisis had been passed, at least for some of the schools, as far as the length of the term was concerned.

Information concerning the average length of the school year in months for the twenty-two schools, as well as a comparison of the average length of the school year in districts located in fifteen mill and non-fifteen mill cities, for the ten-year period, 1930-31 to 1939-40, is given in Table 30.

The year when the school term showed the greatest reduction in the twenty-two schools, as revealed in Table 30, was

1933-34, when the average for the two groups combined was 9.36 months. The lowest for the group which later limited their municipal tax rates, was 9.39 months, and for the other group of schools the lowest was 9.27 in 1933-34. This would indicate that the property tax limitation, combined with the depression, had some effect upon the length of the school year in these twenty-two cities. Limiting the municipal rates, in the first group of cities seemed to make no appreciable difference, since the length of the school term in the fifteen mill cities from 1934-35 to 1939-40, the period following the limiting of the municipal rates in those cities, decreased only 0.15 of a month, and remained slightly higher than in the non-fifteen mill cities.

TABLE 30

AVERAGE LENGTH OF SCHOOL YEAR IN MONTHS IN TWENTY-TWO
SCHOOLS AND IN TWO GROUPS OF ELEVEN SCHOOLS
EACH, FOR A TEN-YEAR PERIOD, 1930-31
TO 1939-40

Year	Twenty-two School Districts	Eleven Schools in 15 Mill Cities	Eleven School in Non-15 Mill Cities
1930-31	9.97	10.00	9.93
1931-32	9.43	9.50	9.36
1932-33	9.39	9.39	9.41
1933-34	9.36	9.39	9.27
1934-35	9.58	9.77	9.39
1935-36	9.65	9.68	9.64
1936-37	9.75	9.79	9.70
1937-38	9.73	9.70	9.73
1938-39	9.69	9.68	9.61
1939-40	9.61	9.64	9.59

Between 1930-31 and 1939-40 the following systems had reduced their term by one full month: Battle Creek, Belding, Pontiac, and Port Huron. The following reduced one-half month: Grand Rapids, Flint, Bay City, Dearborn, Escanaba, Benton Harbor, and Hastings.

Average Salaries of Classroom Teachers

The average salaries for teachers for the twenty-two school systems are provided in Table 31 for each of the ten years, 1930 to 1940. Based on the 1930-31 averages, there was a negligible increase in 1931-32, and a sharp decrease of twenty per cent in 1932-33 in the average salaries in the twenty-two school systems.

TABLE 31
 AVERAGE SALARIES OF CLASSROOM TEACHERS IN SCHOOL DISTRICTS IN TWENTY-TWO CITIES
 FOR THE PERIOD 1930-31 TO 1939-40 AND THE PER CENT THE AVERAGE SALARIES
 EACH YEAR BEAR TO THOSE OF 1930-31

Year	Twenty-two School Districts		Eleven School Districts in 15 Mill Cities		Eleven School Districts in Non-15 Mill Cities	
	Average Annual Salary of Classroom Teachers	Per Cent of 1930-31	Average Annual Salary of Classroom Teachers	Per Cent of 1930-31	Average Annual Salary of Classroom Teachers	Per Cent of 1930-31
1930-31.....	\$1,734.60	100.0	\$1,695.06	100.0	\$1,778.53	100.0
1931-32.....	1,745.25	100.6	1,730.30	102.6	1,765.80	99.3
1932-33.....	1,388.88	80.1	1,335.56	78.3	1,455.83	81.8
1933-34.....	1,302.80	75.1	1,192.40	70.3	1,412.31	79.4
1934-35.....	1,397.41	80.6	1,324.24	78.2	1,471.19	82.7
1935-36.....	1,471.91	84.6	1,369.36	81.9	1,566.85	88.1
1936-37.....	1,572.79	90.7	1,485.53	88.9	1,660.06	93.3
1937-38.....	1,682.46	97.0	1,585.94	93.5	1,778.98	100.0
1938-39.....	1,682.19	96.9	1,575.68	92.9	1,788.72	100.6
1939-40.....	1,675.98	96.6	1,566.37	92.3	1,785.57	100.4

The lowest point reached was in 1933-34, which showed a reduction of approximately twenty-five per cent. The twenty per cent reduction in 1932-33 resulted from the depression. In 1933-34, the property tax limit became effective and the lowest average salaries of that year resulted as a combination of the effects of the depression and the property tax limitation. The restoration of salaries in the twenty-two school systems was not marked until in 1936-37, after which there was a return to within three or four per cent of the salaries in 1930-31.

Comparing data on annual current operating costs in Table 22 and data on average salaries in Table 31, we find that the reduction in operating costs was greater than that of salaries, based on the figures reported for 1930-31. Whereas the greatest reduction in operating costs was 34.1 per cent, the greatest reduction in salaries was 24.89 per cent. Also, salaries have since tended to increase faster in the twenty-two districts than have current operating costs. On the whole, this means that costs other than teachers' salaries, and services other than teaching, have suffered greater curtailments. These comparisons indicate some of the concern of boards of education in attempting to bring salaries back to pre-depression levels when the operating costs, largely determined by the maximum tax levy and state aid, are still well under the 1930-31 level.

In further consideration of the effects of the property tax limit, attention is given to a comparison of the eleven school districts in fifteen mill cities and the eleven districts in non-fifteen mill cities. In Table 31, the data show that, based on 1930-31 salaries, the average in each group of schools was lowest in 1933-34, but the effects of the depression were more serious in the first group of school districts, which in 1934-35 and 1935-36 voted to place their municipal tax rates under the limit. Reductions down to and including 1932-33, are attributed to the depression, and from that year to 1934-35, to the tax limit and the depression. Beginning with 1935-36, the effects of placing municipal tax rates under the limit began to operate. Average salaries of teachers in the fifteen mill cities increased in 1936-37 seven per cent, and in non-fifteen mill cities, 5.2 per cent. But the restricted tax rates in fifteen mill cities for schools have prevented the return of salaries to pre-depression levels. In 1939-40, the decrease in average salaries of teachers in

schools in these cities was still 7.7 per cent under the 1930-31 level, while the average salaries in schools in non-fifteen mill cities were back on the 1930-31 level as early as 1937-38, and have been about the same ever since.

A comparison of average salaries in Table 31, and annual operating costs in Table 22, in schools in the two groups of eleven cities each, shows that the average salaries in both groups have increased, after reaching the lowest point, faster than operating costs, but the return of salaries in the schools in the non-fifteen mill group has been considerably greater accordingly than the operating costs.

A further analysis of teachers' salaries is given in Table 32, to reveal the lowest, highest, and average salaries for each school system, and the years when salaries were lowest and highest in each system. This analysis shows that twelve of the twenty-two schools report their lowest salaries for the year 1933-34. This is the year the property tax limit became effective. Five schools report their lowest salaries for the following year, 1934-35. Fifteen cities report their highest salaries for the two years 1930-31 and 1931-32, preceding the enactment of the property tax limit. To be sure, the depression brought on the tax limit and thus contributed indirectly to the drastic decrease shown in salaries beginning in 1933-34, but the immediate cause was the tax limit. Seven of the schools report highest salaries from 1937 to 1940, but six of these are in non-fifteen mill cities. Only one school in a fifteen mill city reports highest salaries after the limiting of municipal tax rates.

In the column showing average salaries for the decade, 1930 to 1940, the three schools with highest salaries are all in non-fifteen mill cities. Of the eleven with lowest salaries, seven are in fifteen mill cities.

Salary Schedule

One of the moot topics in Michigan at the close of the decade was the salary schedule for teachers. The majority of the school systems found it necessary to reduce salaries at the beginning of the depression and in most instances the schedule was abandoned and annual increments were no longer provided on the reduced schedule. During the period of adjustment of salaries in the years following, the salaries of some teachers have gotten

TABLE 32

INFORMATION BY YEARS FOR THE 10-YEAR PERIOD, 1930-31 TO 1939-40, SHOWING THE YEAR IN WHICH EACH SCHOOL DISTRICT PAID THE LOWEST, AND HIGHEST, SALARIES TO TEACHERS, AND THE AVERAGE SALARY PAID BY EACH CITY OVER THE 10-YEAR PERIOD

Year	Year Lowest Salary Was Paid		Year Highest Salary Was Paid		Average Salary of Teachers, over the 10-Year Period	
	15 Mill	Non-15 Mill	15 Mill	Non-15 Mill	15 Mill	Non-15 Mill
1930-31	-	-	Pontiac 2,086 Muskegon 1,845 Saginaw 1,724 B.Creek 1,716	Benton Harbor 1,636	Hamtramck 2,092 Ann Arbor 1,897 H. Park 1,892	
1931-32	-	-	G.Rapids 2,138 Jackson 1,891 Ionia 1,850 Flint 1,679 Musk.Hts. 1,632 Belding 1,463	Dearborn 1,950 Kalamazoo 1,899 Escanaba 1,702	Grand Rapids 1,870 Bay City 1,756 Lansing 1,691 Jackson 1,680	
1932-33	Flint 1,227 N.Musk. 1,132	-	-	-	Dearborn 1,639 Kalamazoo 1,591	
1933-34	Muskegon 1,379 Pontiac 1,271 Saginaw 1,218 Musk.Hts. 1,173 Ionia 795 B.Creek 1,209 Belding 874	Ann Arbor 1,650 Lansing 1,442 H. Park 1,388 Dearborn 1,305 Kalamazoo 1,200 Hastings 1,099 B.Harbor 1,273 P.Huron 1,200 Escanaba 1,147 Bay City 1,635	-	-	Muskegon 1,551 Saginaw 1,542 Ionia 1,525	
1934-35	-	-	-	Hamtramck 2,468	B.Harbor 1,506 Pontiac 1,506 Flint 1,499	
1935-36	-	-	-	-	Escanaba 1,475 Battle Creek 1,469 Muskegon Heights 1,443	
1936-37	Gr.Rapids 1,636	-	-	-	Hastings 1,441 P.Huron 1,424	
1937-38	-	-	-	Port Huron 1,625 Bay City 1,834	N.Muskegon 1,294 Belding 1,208	
1938-39	-	-	-	Ann Arbor 2,260 Highland Pk. 2,258		
1939-40	-	Hamtramck 1,683	N.Musk. 1,446	Lansing 1,853 Hastings 1,667		

out of line with salaries of others. As one example of how difficult a problem the salary schedule becomes under such a condition, Kalamazoo reports a reduction of about twenty per cent in all salaries and a lowering of the beginning salary from \$1,440 to \$1,200. Teachers employed since the reduction was made have been employed at a basal salary of \$1,200 instead of the original \$1,440 on which most of the teachers were employed. When increases are now provided, some teachers are increased on the old schedule whereas others are increased on the new schedule. Increments on the original schedule were made on a rated scale. Although the schedule at present contains no provision for increments, increases have been allowed in most cases on a percentage basis for all.

After having studied some of the salary schedules, the writer should like to recommend that salary schedules not be abandoned but kept in operation, making whatever reductions that are necessary after increments have been applied. In this manner, whenever finances permit increases to be made, the schedule will not be skewed.

In this and succeeding sections of this chapter information was secured in the most part from twenty-six school systems. Requests were sent to the twenty-two schools and to the remaining twenty-two systems in the state in cities of 10,000 population and over (excluding Detroit).¹

The schools were asked to reply to the question, "Did you have a salary schedule in operation in 1930?" The replies were twenty-one "Yes" and four "No." To the question, "Has it been in operation continuously since?" there were four affirmative replies and seventeen replied "No." Of those that had reported the schedules had not been continuously operated, three reported the abandonment of their schedules in 1931, six in 1932, and seven in 1933. Twelve of the schools report that their schedules have been revised and restored; three report that they have not restored their salary schedules. Eleven schools have made some reduction in their salary schedules.

Since these reports were collected, two of the cities have adopted new schedules for salaries of teachers. Battle Creek adopted its schedule in 1940 and Kalamazoo in 1941. The Kalamazoo

¹Page 297, Table 50.

schedule has a lower minimum than the one in operation before 1930, but it provides for eighteen annual increments of \$50 and \$100 each, leading to a maximum which is higher than was the maximum under the former schedule. At least three of the newer schedules adopted in the schools included in this study have provided for a larger number but small annual increments. These schools are Bay City, Battle Creek, and Kalamazoo.

The evidence indicates strongly that increased state aid has materially assisted schools in the restoration of the reduction in salaries and in the revision of reduced salaries. However, some of the schools are at present operating on a schedule which is not as satisfactory as the one in operation prior to 1932. The average salary schedule is less satisfactory now than in 1930..

Sick Leave Policy

Twenty-six schools report having in effect sick leave policies for teachers. No school reported that it did not have such a policy. Of the systems reporting, twenty had established sick leave for teachers prior to 1930, one was begun in 1931, two in 1934, one in 1937, and two did not state when their policies became effective. This would indicate that although schools were seriously handicapped for funds, they were not overlooking the welfare of the personnel. During the years following 1932 in all the systems reporting, those which did not have sick leave policies prior to 1930 have since adopted them. Seventeen of the twenty-six systems reported that their sick leave policies had been changed since 1930. The provisions of the sick leave policies were made more liberal in ten schools, whereas in six they were reported as being less liberal. One did not reply. One of the more liberal provisions was an increase in the number of days which may be cumulative. The provisions of sick leave policies as reported by twenty-five school systems are included here.

Adrian provides ten days full pay each year for personal illness of the teacher. Sick leave is not cumulative beyond one year. The sick leave policy in Adrian was begun prior to 1930 and has not been changed since.

Alpena. The sick leave policy in Alpena was begun prior to 1930. It provided for ten days full pay annually. The policy was changed during the decade (exact date not given) and now

provides for only one-half pay up to ten days illness for any one year.

Battle Creek reports having a sick leave policy but does not include its provisions.

Bay City reports having a sick leave policy in effect but does not report when it became effective. It provides full pay for the first five days of illness, and the difference between the regular salary and \$5.00 daily for the next fifteen days. Sick leave is not cumulative in the Bay City system.

Belding reports that a sick leave policy was placed in effect in 1932. At that time the policy provided for ten days full pay annually, cumulative to thirty days. It has since been changed so that a deduction of the amount of the substitute's salary is made for all absences due to illness.

Calumet reports that a sick leave policy was placed in effect about 1910. It has not been changed since, but the provisions are not given.

Escanaba reports a sick leave policy adopted in 1920 but changed during the decade from 1930-1940. The policy now provides five days full pay for personal illness, and ten days additional with pay of a substitute deducted. The Escanaba policy does not provide cumulative sick leave.

Ferndale has a sick leave policy adopted in 1925 and changed in 1933-34. Formerly the policy provided ten days cumulative sick leave. It now provides for five days full pay each year, not cumulative.

Flint. The sick leave policy for teachers in Flint was adopted in 1923-24. It provided sick leave of five days full pay per year. This was made cumulative to fifteen days in September 1936. The policy was suspended in November 1938 but restored again in April, 1939.

Grand Rapids. The sick leave policy in Grand Rapids was established in 1924. At that time it provided full pay for ten days annually for absence due to personal illness. The policy was changed during the decade, 1930-40, and now provides that sick leave may become cumulative to thirty days.

Grosse Point has a sick leave policy that was begun prior to 1930 but was reported as being liberalized during the decade, 1930-1940.

Hastings reports a sick leave policy adopted in 1937. The

provisions were not included.

Highland Park has a sick leave policy adopted prior to 1930. It was changed after 1930 to become cumulative up to twenty days.

Holland reports a sick leave policy adopted about 1905. The benefits under the policy were increased about 1925. It has not been changed since 1930. No further provisions were given.

Ionia adopted a sick leave policy for teachers in 1921. In 1933 the policy was reduced but was restored in 1938. No provisions are listed.

Jackson established its first sick leave policy prior to 1930 which provided for five days sick leave annually but was not cumulative. In 1935-36, the policy was made cumulative to fifteen days, allowing five for each year.

Kalamazoo established its first sick leave policy prior to 1930 which was not cumulative. In 1934, the policy was changed to allow full pay for five days for the first year, cumulative to thirty days. The policy further provided that after cumulative sick leave is used, the teacher should receive the difference between her salary and the salary of the substitute for the duration of her contract. This was changed in September 1941 from "duration of the contract" to "60 days."

Lansing first established its sick leave policy in 1922 which provided ten days full pay in a year. It was not cumulative. During the decade 1930-1940, the report indicates a change in the policy so that at present, a teacher's salary is reduced one-half the amount of the substitute's salary for ten days. On this basis the report indicates that sick leave is cumulative but not to exceed twenty days.

Lincoln Park established its first sick leave policy in 1927 which provided for ten days full pay for absence due to personal illness for any year. This policy was reduced after 1930 to five days each year.

Marquette established its first sick leave policy in 1920. It has not been changed since. No provisions are given.

Menominee has a sick leave policy but does not indicate when it was established. There have been no recent changes made. No provisions are given.

Mount Clemens established its first sick leave policy in 1929. There have been no changes made since. No provisions are given.

Muskegon reports having established a sick leave policy several years ago. It provided for full pay for absence due to personal illness of ten days per year (system not cumulative). Sick leave was entirely eliminated in 1921, then was restored to five days a year (not cumulative) in 1934.

Owosso established its first sick leave policy in 1926. It was changed after 1930 and was made cumulative for five years. No other provisions are given.

Ypsilanti established a sick leave policy for teachers in 1934. Since that time the policy was eliminated and then restored. It now provides five days each year full pay cumulative to thirty days.

Membership in Michigan Education Association

Membership of the entire teaching personnel in the Michigan Education Association is a regular practice in Michigan schools as evidenced from the reports of twenty-six city school systems. It is quite common for members of the clerical staffs, staffs of public libraries, and business offices of the public schools to take out memberships in the Michigan Education Association. Nineteen schools report one hundred per cent membership of their staffs in each year from 1930-1940. Battle Creek and Bay City report one hundred per cent membership for the years 1939-40 but slightly lower for the previous eight years. Jackson reports that no records on Michigan Education Association memberships are kept. The other schools make no report. There is little evidence from this date that membership in the Michigan Education Association in their schools has been affected greatly by the property tax limitation nor by the limitation of the municipal tax rates. It is well known in Michigan, however, that the state membership in the Association has shown a marked increase in the years from 1935 to 1940. One of the chief reasons for this increase is the fact that the Association has become a strong organization for the promotion of additional state aid through lobbying in the legislative halls. Teachers have been led to feel that their enrolling in the Association makes for a stronger organization and provides the necessary finances with which to carry on the many functions of the organization, the securing of additional state aid being one of these. The school administrators have assisted in making the Association the one which should carry a large

proportion of the burden in the securing of more state aid. Doubtless, the increased enrollment over the past four or five years has come through new enrollees in the smaller districts and rural schools. Growth in membership in the Michigan Education Association has thus come about through a more widespread interest throughout the entire state. Most of the schools covered in this study have practiced one hundred per cent membership over the entire decade.

Membership in Teacher Unions

Information was collected concerning the number of teacher unions that are now operating in the school systems, with an attempt to find out when the unions were organized and the membership in each. Eighteen schools report that there are no unions among their teachers. Six schools report having unions in operation. They are, Escanaba, Flint, Grand Rapids, Jackson, Kalamazoo and Mount Clemens. Flint, Grand Rapids and Jackson are fifteen mill cities. Flint and Grand Rapids are the largest cities included in the study.

The average membership in the teacher unions is fifteen to twenty members. Escanaba reports an average membership of about twenty-five. Flint does not report its membership. Grand Rapids reports members as follows: 1933-34, fifteen; 1934-35, twenty; 1935-36, thirty-five; 1936-37, and following years, thirty each year. Jackson does not report the membership. Kalamazoo has maintained a membership of about ten to fifteen annually. Mount Clemens reports members as follows: 1930-31, fifty-five; 1931-32, sixty; 1932-33, sixty; 1933-34, seventy-five; 1934-35, seventy-five; 1935-36, seventy-five; 1936-37, eighty; 1937-38, eighty; 1938-39, seventy-five; 1939-40, seventy.

It should be remembered, however, that teacher unions are different from teacher clubs. Many of the cities have teacher clubs to which most of the teachers belong. The teacher clubs in Michigan are strong professional groups which are doing an admirable piece of work in the cause of education on a state-wide basis. Some of these clubs have recently been merged with districts of the Michigan Education Association so that it has been possible to eliminate a duplication which appeared in the smaller cities where the school system comprised a district of the Michigan Education Association and where the same group of teachers

also belonged to the teacher club. They are one and the same organization at present in many communities. The teacher unions, however, are usually affiliated with the American Federation of Labor and are usually small organizations attended by only a few of the teachers, but which have as their objective the advancement of education and the promotion of the public school system.

On the whole it appears that the fifteen mill property tax amendment in Michigan has had some effect in promoting the organization of teachers into teacher clubs, and teacher unions, and has stimulated a much broader interest throughout the state in membership in the Michigan Education Association.

Retirement Age

To the question, "Do you have a definite age at which teachers retire?" eighteen of the schools replied "No," and eight replied "Yes." Fifteen of the eighteen schools replying in the negative are in the non-fifteen mill cities. Four of the eight schools replying in the affirmative are in non-fifteen mill cities. Five of the school systems reported that the age of sixty-five has been established as the age at which teachers in the system are expected to retire. These schools are Escanaba, Flint, Hastings, Highland Park and Ionia. Bay City has set the age of sixty-eight for the retirement of teachers, while Grand Rapids and Jackson have set the age at seventy years. Grand Rapids adopted its policy in 1931-32; Ionia established its policy in 1932-33. The years in which the otherschools adopted their policies are as follows: Flint and Jackson in 1938-39; Highland Park, Hastings and Escanaba, 1939-40; Bay City gives no date as to when their retirement age became effective. Battle Creek, Kalamazoo, Muskegon and Holland report that while they have not adopted definite policies regarding the age of retirement for teachers, consideration has been given to such a move. (In June, 1941, Kalamazoo adopted the age of sixty-five for the retirement of teachers, to become effective at the close of the school year 1941-42.) Nine schools indicate that no move has been made towards the adoption of a definite age of retirement for teachers. The other schools make no report.

The evidence indicates that since 1932 there has been a growing interest in the adoption of a retirement age for teachers and we may expect other school systems to take action for the adoption of such a policy in the near future.

In addition to the interest aroused through other sources, the legislature in 1937 materially increased the amounts of the minimum and maximum annuities which teachers will receive upon retirement. Whereas Act 5 of the Public Acts of 1929¹ set the minimum annuity at \$300 and the maximum at \$500, the 1937 act set the minimum at \$600 and the maximum at \$1200.² The provisions of this latter act in allowing larger annuities to teachers on retirement probably account for the most recent interest of boards of education in the adoption of a definite retirement age for teachers. Since the amount of the annuities was increased in 1937, any interest in the retirement age prior to that date could not be attributed to the act.

Summary

An analysis of the data on personnel presented in this chapter and the changes in legislation since 1930, would seem to support the following statements.

1. The school census has become less significant in those districts that receive state aid under the equalization fund. In 1940, the census was still the basis for distribution of state aid in those districts that did not receive equalization. The school census has been the basis for the distribution of primary money ever since the primary school interest fund was established. All state aid acts from 1933 to 1941 distributed the primary supplement fund on the basis of the school census. All state aid, beginning in 1941-42, will be distributed on a basis of membership. Hence, the census becomes less significant.

2. The total census in the twenty-two schools was 3.8 per cent lower in 1939-40 than in 1930-31, while the average membership was 0.1 per cent higher in 1939-40.

The total census was about the same in schools in fifteen mill cities in 1939-40 as in 1930-31, whereas the average membership in these schools was 3.3 per cent higher in 1939-40.

In schools in non-fifteen mill cities, both the census and average membership were about ten per cent lower in 1939-40. This, rather than the property tax limitation, will account for the reduction of the teaching personnel in schools in non-fifteen

¹Public Acts of Michigan, 1929, No. 5, sec. 9.

²Ibid., 1937, No. 184, sec. 9, p. 281.

mill cities.

3. Average membership became a significant child accounting record in 1933, as a basis of establishing the gross allowance to which each district was entitled under the state aid act, but in 1941 it became the all-important record on which all state aid, exclusive of primary money, will be distributed.

4. Membership in non-public schools in the systems in this investigation comprise about one-sixth of the total enrollment in all schools. Public schools receive the primary school interest fund distribution for non-public school pupils.

5. The number of classroom teachers in these twenty-two school systems was lowest in 1933-34, as a result of the depression and the property tax limitation.

The reduction in teaching personnel was greater in 1939-40 in schools in non-fifteen mill cities than in schools in fifteen mill cities, based on numbers reported for 1930-31.

In the twenty-two schools as a whole, nine teachers were employed in 1939-40 where ten had been employed in 1930-31.

6. The number of principals in the twenty-two schools was 11.8 per cent lower in 1939-40 than in 1930-31. The reduction was greater in schools in non-fifteen mill cities than in fifteen mill cities.

7. The total educational staff showed a decrease as a result of the property tax limitation.

8. The median ratio of pupils to teachers has increased over the ten-year period in schools in fifteen mill cities from 29.3 to 31.8. In schools in non-fifteen mill cities, the median ratio rose from 27.0 to 27.9. This would indicate that increasing the teacher load was very likely one of the results of the over-all property tax limitation.

9. The property tax limitation appears to have had little or no effect on teacher turnover.

10. For the majority of schools reporting, the average experience of the teaching personnel increased during the last five years of the decade. This would indicate that the limitation may have influenced teachers to remain longer in their positions.

11. The length of the school year was limited in practically all schools in this investigation, immediately after 1930-31. The largest number of schools report their shortest terms in the years 1932-33 and 1933-34.

12. Limiting municipal tax rates in eleven cities does not appear to have affected adversely the length of the school term in the typical fifteen mill city. In fact, for all years except 1932-33 and 1937-38, the average length of term in schools in fifteen mill cities was greater than in non-fifteen mill cities.

13. Teachers' salaries were greatly reduced in 1933-34 as a combined result of the depression and the property tax limitation.

14. Limiting municipal tax rates in the eleven cities has resulted, in part, in preventing salaries in these cities from returning to pre-depression levels.

15. The majority of schools in the study eliminated or reduced salary schedules during the decade, 1930 to 1940. This action resulted as combined effects of the depression and the property tax limitation.

16. The practice of establishing sick leave policies for teachers is common among the schools systems covered in this investigation.

Sick leave policies in seventeen schools were changed during the decade, 1930 to 1940. While some report a reduction of the provisions of their sick leave policies, the more common practice was a liberalization, such as the placing of sick leave on a cumulative basis. These liberalized changes have resulted from a concern for the welfare of the school personnel at a time when school budgets had to be reduced. Some schools report that a more liberal sick leave policy is a necessary consideration to employees when salary schedules are being reduced.

17. The membership in the Michigan Education Association has increased markedly since 1932. The property tax limitation appears to have encouraged this increase. One of the chief reasons for the increase is that the Michigan Education Association has been considered a strong organization which would secure more state aid for schools and would aid teachers to secure more social benefits, such as tenure, improved salary schedules, and higher annuities under the retirement law.

Increased membership in the Michigan Education Association during the decade, 1930 to 1940, has occurred for the most part in rural and small city systems. Most city schools have practiced one hundred per cent membership for several years.

18. It is apparent that the organization of teachers has

been encouraged as a result of the depression and the property tax limitation.

19. The majority of the school systems in this investigation do not practice compulsory retirement of teachers at any designated age. All eight systems that have adopted a retirement age for teachers have done so during the ten-year period covered by this study. Kalamazoo adopted such a policy in 1941, making a total of nine systems in all.

CHAPTER VIII

EFFECTS OF THE PROPERTY TAX LIMITATION AMENDMENT UPON THE SERVICES OFFERED IN SCHOOL DISTRICTS

Introduction

This chapter deals with the changes in services offered by the school systems as a result of the financial changes made necessary by the property tax limitation.

A questionnaire was sent to all school systems in Michigan of ten thousand population and above (excluding Detroit), for the purpose of collecting information on services during the ten-year period, 1930 to 1940. In all, the questionnaires were sent to forty-four school systems, including the twenty-two systems from which reports were analyzed in the preceding two chapters.¹

Those services and offerings of the school systems which were investigated are: subjects and courses offered in the school curriculum, offices and departments, sick leave policy for the personnel, membership in the Michigan Education Association, the development of retirement plans for the teaching personnel, and length of the school year.

In order to determine changes in course offerings, each system was asked to report the names of courses added or restored in the junior and senior high school; names of courses eliminated in the junior and senior high school; subjects added or restored in the elementary departments; and subjects eliminated from the elementary department; together with the year in which such addition, restoration, or elimination occurred.

Each of the forty-four schools was asked to report on offices or departments added or eliminated since 1930, and to give the year when such addition or elimination was made. Similar information was requested for kindergarten and nursery schools.

¹Adrian, Alpena, Calumet, Ecorse, Ferndale, Grosse Point, Holland, Iron Mountain, Ironwood, Lincoln Park, Marquette, Menominee, Monroe, Mount Clemens, Niles, Owosso, River Rouge, Royal Oak, Sault Ste. Marie, Traverse City, Wyandotte, and Ypsilanti.

Each system was requested to report on the manner in which public libraries and public recreation were supported, the amount of support for each year, and whether the source of support had changed during the ten-year period.

Subjects and Courses

Each of the forty-four systems was requested to report information on courses and subjects for the senior high school, the junior high school, and the elementary school. Twenty-five schools reported reliable information.

Senior High School

The information concerning the addition or reduction of courses in the senior high school is listed for each school system reporting. The date of the addition, restoration or elimination is not given in all cases.

Adrian. The first report of the elimination of any course was in 1932-33 when Adrian eliminated physical education for girls. These courses were restored in 1937-38. This system reports that there were no other eliminations nor additions during the decade.

Alpena reports the elimination of German in 1932-33 and mental hygiene in 1937-38. There were no high school courses added at Alpena during the ten-year period.

Battle Creek. Penmanship was eliminated in 1930-31. The following courses were reported as having been added: shop English and mathematics, 1930-31; business English and electricity, 1935-36; interior decorating, 1936-37; carpentry, 1937-38; distributive occupations and merchandising, 1938-39.

Bay City. This system reports that there was no particular change necessitated by a shortage of funds. Courses have been changed due to progress, but no new ones have been added, nor any eliminated.

Belding. This system reports the elimination of one-half of its music and art in the senior high school in 1933-34, but reports also a restoration of these courses in 1934-35. During the school year 1940-41, Belding eliminated art, journalism, and speech.

Calumet reports only the elimination of art in 1932-33. No courses were added during the ten-year period, according to

the superintendent's report.

Escanaba. No courses were eliminated. This system reports the addition of a course in coöperatives in 1935-36.

Ferndale. The superintendent reports that in general there were no courses eliminated during these years. He further reports that his administration took the attitude that with a certain number of pupils to teach, it makes little difference in costs what subjects are taught. Band and choral work were reported at a low ebb during the decade. The following courses were listed as added, but no dates were given: trigonometry, economics, sociology, descriptive chemistry, filing, office practice, commercial law, and chorus.

Flint reports dropping hygiene, social geography, radio, advertising, world history, problems of democracy and all Class C subjects in 1932-33. The Class C subjects included chorus, community service, costuming and serving, debating and oratory, dramatics, play production and opera production, music ensembles, poster designing and sketching, religious education, publications, sportsmanship and tenth grade guidance. This system added German, civics, economics, geology, physiography, physiology and pattern making in 1932-33; remedial English in grades ten and eleven in 1933-34; world history, 1934-35; American history, modern and social problems and retail selling in 1935-36; senior English, modern literature and basic English in 1936-37.

Grand Rapids reports that no courses were actually added or eliminated.

Grosse Point eliminated harmony, music appreciation, instrumental music and costume designing in 1932-33; ancient history in 1936-37. Reported the addition of general art, child care, journalism and home decoration in 1931-32; world literature in 1932-33; two years of German in 1934-35; world history, a capella choir, band, contemporary world problems and home making in 1937-38; orchestra and music appreciation in 1939-40.

Hastings. No courses were added or eliminated in Hastings during the ten years.

Highland Park. The following courses were eliminated at Highland Park: bookbinding, astronomy, comptometry, 1931-32; European history, 1932-33; German and modern history, 1935-36; Fashion sketching and tap dancing, 1936-37; harp, Bible, verse speaking choir, English and history integrated, 1938-39; general

home making, 1940-41. Highland Park added general business, commercial arithmetic, practical science, general history and American history, 1934-35; metal crafts and hygiene, 1935-36; magazine course in twelfth grade, badminton, and senior biology, 1936-37; clerical practice, problem analysis in eleventh grade, Michigan history, personality adjustment, 1937-38; fine arts, secretarial training, and personality in twelfth grade, auto driving, voice culture, English singers, senior science, modern problems, 1938-39; personal type and coöperative selling, penmanship, radio broadcasting, theater for non-academics, trade drawing and trade printing, Latin American history, 1939-40; home making, general geography, vocational home making, early American dancing, related science, 1940-41.

Holland. No courses reported added or eliminated.

Ionia. No courses reported as having been added or eliminated.

Jackson. Eliminated all summer school courses in senior high school in 1932-33 which have not been restored. Added business and secretarial courses in junior college in 1936-37.

Kalamazoo. Eliminated history of English literature, twelfth grade composition in 1936-37; third year German and third year French in 1939-40. Added personal and social problems and eleventh grade composition, 1935-36; business English, modern literature, literary survey, English essentials and retail selling in 1936-37; business mathematics, third year German, third year French, general mathematics, housekeeping, health education for boys, 1937-38; second year of machine shop, second year sheet metal, second semester of retail selling, arts and crafts, 1938-39.

Lansing. Eliminated apprentice work in the tenth grade in 1930-31; school banking in 1932-33; civics, sociology, 1936-37. Added human relations, 1931-32; enriched English course, 1932-33; character education and guidance, 1933-34; enriched home economics course, 1934-35; American government, 1936-37; enriched music course, 1937-38; expanded the commercial courses in business organization, advertising and investments in 1939-40.

Lincoln Park. Eliminated health education and art, reduced their music and curtailed their shop courses in 1930-31. Added to its shop course in 1937-38, art in 1938-39, and again increased their shop courses in 1939-40.

Marquette reports no eliminations. Added commercial geography, 1937-38.

Menominee reports no additions or eliminations.

Mount Clemens dropped auto mechanics, French, salesmanship, commercial law, speech, ninth grade clothing, in 1931-32. Added sociology, 1934-35; auto mechanics and speech in 1935-36; two years of bookkeeping, 1936-37; second year clothing, 1937-38; salesmanship, 1938-39; commercial law, 1939-40.

Muskegon dropped Spanish, 1935-36. Added a course in "books" in 1930-31; problems, 1932-33; music appreciation, 1934-35; consumer chemistry, 1935-36; essentials of living, 1937-38.

Owosso reports that no courses were dropped during the ten-year period. The faculty was reduced about ten per cent, but this reduction in teaching personnel has since been taken care of.

Ypsilanti reports that most of their eliminations were of personnel rather than of courses. In the senior high school no courses were reported dropped. Added to their industrial arts course in 1937-38; occupations, 1938-39; and instrumental music, 1939-40.

A few schools reported an enrichment of some courses, while others reported a reduction of courses in certain departments. It was impossible to report the exact number of courses added or eliminated in such instances, and no attempt is made to list changes in course content.

The number of courses added or restored and the number eliminated, in the senior high schools, as reported by twenty-five school systems, is shown in Table 33. The other school

TABLE 33

NUMBER OF COURSES ADDED, RESTORED, OR ELIMINATED DURING
THE TEN-YEAR PERIOD, 1930-31 TO 1939-40, IN
TWENTY-FIVE SENIOR HIGH SCHOOLS

Course	Number of Courses Added or Restored	Number of Courses Eliminated
Social Science	24	10
Commercial	23	4
English	16	11
Industrial Arts	14	2
Music	11	7
Home Economics	8	4
Science	8	1
Art	4	7
Health	3	3

TABLE 33--Continued

Course	Number of Courses Added or Restored	Number of Courses Eliminated
Physical Education	3	2
German	3	3
Mathematics	3	0
Guidance	2	1
French	1	2
Radio	1	1
Penmanship	0	1
Spanish	0	1

systems did not report information on the addition or elimination of courses.

These changes obviously cannot all be attributed to the property tax limination nor to the depression.

Junior High School

In comparison to the number of changes in courses in the senior high school, there were relatively few in the junior high. Reports from twenty-five schools on coursed added, restored or eliminated during the decade 1930 to 1940, are given.

Adrian reported the elimination of physical education for girls in 1932-33, but restored these classes in 1937-38.

Alpena. No courses reported added or eliminated.

Battle Creek. Nothing reported as having been added or eliminated in the way of courses.

Bay City reported that there was no change necessitated by shortage of funds.

Belding reports that they eliminated one-half music and art in 1933-34 and restored these classes in 1934-35.

Calumet reports that art and cooking were eliminated in 1932-33. There were no new classes added.

Escanaba reports the elimination of all exploratory courses in 1936-37. No courses have been added.

Ferndale. No courses reported eliminated from the junior high school. Band and orchestra were added.

Flint reports the elimination of general language in the eighth grade in 1930-31; art, music, auditorium and guidance in 1932-33. Also reports the addition of general mathematics in

the ninth grade in 1930-31.

Grand Rapids reports no changes.

Grosse Point eliminated geography and commercial geography from the junior high school grades in 1931-32. Added ninth grade civics in 1931-32; ninth grade general science in 1935-36; instrumental music, 1937-38; and general language in the eighth grade in 1939-40.

Hastings. No courses reported as being added or eliminated.

Highland Park reports the dropping of printing from junior high school. Added general English, remedial reading, corrective spelling, seventh grade mathematics, corrective mathematics in eighth grade, general mathematics, hygiene, and changed art and science from ten-week courses to full semester courses.

Holland. No courses eliminated or added.

Ionia. No courses eliminated or added

Jackson reports elimination of all summer school courses in junior high school in 1932-33 which had not been restored in 1940.

Kalamazoo reports the elimination of eighth grade Latin in 1935-36 and general geography in ninth grade in 1939-40. Added pre-language in eighth grade in 1935-36.

Lansing eliminated school banking in 1932-33, vocations and bookkeeping in 1939-40. School banking is really not a course. Added dramatics in 1932-33; character education and guidance, 1933-34; remedial reading, 1936-37; safety education, 1937-38; and personal bookkeeping, 1939-40.

Lincoln Park reports no additions or eliminations.

Marquette added elementary Latin, 1936-37. Reports no eliminations.

Menominee. No courses added or eliminated.

Mount Clemens reports the addition of general mathematics in 1938-39. No courses reported as dropped.

Muskegon added social living in junior high school in 1936-37. No eliminations reported.

Owosso dropped no courses and added none.

Ypsilanti eliminated art and music in 1932-33, gym in 1933-34. Restored art in 1933-34 and gym in 1935-36.

The other school systems did not report information on the addition or elimination of courses in the junior high school.

Elementary School

Adrian reported that no subjects were added or eliminated from elementary grades.

Alpena reports no courses were added or eliminated from elementary grades during the ten-year period.

Battle Creek reports that information on the subject changes in their elementary grades was not available.

Bay City reports that there were no changes made in the subjects offered in the elementary grades during the period.

Belding eliminated one-half music and art in elementary courses in 1933-34 but restored this work in 1934-35.

Calumet added art in their elementary courses in 1932-33. They report no elimination of subjects.

Escanaba reports no changes in their elementary subjects during the ten-year period.

Ferndale reports that there were no subjects added or dropped from elementary grades. They report having made changes within subjects.

Flint eliminated instrumental music classes held after school, 1932-33. They report no additions in subjects in the elementary grades.

Grand Rapids reports no changes made in courses in elementary grades.

Grosse Point reports no changes in subjects offered in the elementary grades.

Hastings. No changes made.

Highland Park reports no changes in the subjects offered in its elementary schools.

Holland. No changes reported.

Jackson reports the elimination of all summer school courses in the elementary schools in 1932-33. These had not been restored in 1940.

Kalamazoo reports the elimination of Roman history in 1938-39 and American history in 1939-40.

Lansing reports elimination of formal geography in 1930-31; formal arithmetic in first grade in 1931-32; school banking, 1932-33; summer school, 1933-34; formal spelling in first grade, 1935-36. Added social studies in school for crippled children in 1930-31; safety education, 1931-32; speech correction in 1932-33;

character education, 1933-34; sight conservation in 1935-36; elementary science in 1936-37; children's clinic, 1937-38. Some of these are not subjects, but indicate the additions which have been made in the Lansing system.

Lincoln Park eliminated art and music, health education and home economics in 1930-31. No additions were reported.

Marquette. No changes reported.

Menominee. No changes reported.

Mount Clemens. No changes reported.

Muskegon. In 1930-31, Muskegon eliminated open air rooms in their elementary schools; rooms for defectives were eliminated in 1932-33; coaching rooms in 1933-34. The rooms for defectives were restored in 1934-35, but were again dropped in 1936-37.

Owosso reports no changes.

Ypsilanti reports the elimination of special penmanship supervision in 1932-33, but does not report that any courses in penmanship were dropped. Physical education was added to the elementary grades in 1939-40.

The other systems make no report on subjects added or eliminated in elementary grades. In all, there are only nine schools that report any changes. These nine report twice as many subjects dropped as added.

Offices and Departments

Information reported under this section is included in an attempt to find out what curtailments or extensions occurred during the decade from 1930 to 1940 in the various school offices and departments. The report on subjects and courses revealed the changes which were made within departments, but in few instances would it reveal the adding or dropping of an entire department or an office.

Schools were requested to submit any changes in the number of departments during the ten-year period. Kindergartens, nursery schools, public libraries, and recreation programs other than physical education carried on in the regular day school program, have received special attention. Separate reports have been made on each.

Reports from nineteen school districts follow:

Adrian eliminated the department of physical education for girls in 1932-33, but restored it in 1937-38.

Alpena added vocational guidance in the high school in 1937, and a full-time high school clerk.

Battle Creek employed a physician for two years, 1930 to 1932; added a visiting teacher in 1935; added a psychologist in 1931 but eliminated the office in 1938; reduced the number of nurses in 1933-34; added a public relations office.

Bay City eliminated school doctors, special penmanship supervision, and reduced the teaching staff by thirty.

Belding eliminated the kindergartens, the art department, one music teacher, and the school nurse.

Calumet eliminated school nursing, special art supervision and special penmanship supervision, in 1932.

Escanaba. No offices added or eliminated, but the number of teachers was reduced, and grade principals no longer given time for supervision.

Ferndale eliminated the following positions: one superintendent of buildings, in 1930; one nurse, one attendance officer, and three supervisors, in 1933; one assistant superintendent of buildings and one purchasing clerk, in 1937. This school reports the addition of four clerks and one assistant superintendent, but does not give the date when these personnel were added.

Flint eliminated the office of director of elementary education in 1931. Their school health department was placed under the city health department in September, 1938. Six visiting teachers were added in September, 1938, whose salaries are paid by one of the local Foundations.

Grand Rapids eliminated all school nurses and doctors in 1933, as a result of the ruling of the Attorney General that these services were a city and not a board of education responsibility.

Grosse Point added a director of music and a director of instruction in 1937; separate junior high principalship in 1939; dean of girls in high school in 1931; instrumental music instruction for elementary schools, 1938; interne teacher plan in 1934.

This system eliminated special teachers of music, art, and physical education in elementary schools in 1932; high school instrumental music in 1932, which was restored in 1937. Two of three "special" rooms in elementary schools were dropped in 1932.

Highland Park added one visiting teacher, one psychiatric social worker, one field worker, and one research worker, in 1938.

Holland added oral deaf class in 1935, and a speech correctionist in 1939.

Ionia reduced the staff markedly, and eliminated school nursing in 1933.

Jackson eliminated supervision of art in elementary schools in 1933. Music supervision was reduced to one-half day in 1933. The Superintendent of Jackson schools has just recently (November, 1941) recommended the restoration of supervision which had been eliminated, and the addition of a director of secondary education.

Kalamazoo erected a new building in 1939 for physically handicapped children, and provided for sight saving classes in addition to the special education classes already operating; added a public relations office in 1936, but eliminated the office in 1941; added a placement office in 1937 in the senior high school; added health education for boys in senior high school in 1937; made an extended occupational survey of local industries and business, 1937 to 1940; added retail selling in 1936.

This school eliminated separate junior high school principalship in 1935, the office of assistant superintendent in 1939, and reduced the number of principalships by one and one-half in 1940.

Lincoln Park eliminated school doctors, one general supervisor, one art supervisor, a health education director and one principal, but no dates for the eliminations were given.

Muskegon eliminated one school nurse, one visiting teacher, and the superintendent of buildings and grounds.

Ypsilanti added school nursing service in 1933, and guidance in 1934.

The other systems either did not report, or reported no additions or eliminations in offices and departments.

Kindergartens

The second request was for information concerning the operation of kindergartens in the school system. To the question, "Do you operate kindergartens in all your elementary schools?" twenty-six schools supplied definite information; twenty-four schools replied "Yes," none replied "No," and two replied, "We operate indergartens, but not in all schools." These two systems were Owosso and Belding, two of the smaller cities.

The next question asked was, "Where the kindergartens begun prior to 1930?" To this question, twenty-five systems provided information, and all twenty-five replied in the affirmative.

To the question, "If kindergartens were eliminated during the depression years, please give date of elimination," three systems replied. Ionia reported eliminating its kindergartens in 1933-34; Calumet, in 1932-33; and Belding, in 1939-40. Ionia and Belding are each fifteen mill cities. To the question, "If restored, please give date," Calumet reports restoring kindergartens in 1934-35. Ionia restored its kindergartens in 1935-36. Flint reduced its kindergartens to one semester in 1932-33, but restored them to a full year, in September, 1937.

Nursery Schools

The next section of the inquiry was for the purpose of securing information on the operation of nursery schools. To the question, "Do you operate nursery schools?" twenty-two schools replied "No," sixteen of which were in non-fifteen mill cities. Five replied "Yes." One of these, Muskegon, is in a fifteen mill city. Muskegon had six nursery schools in 1934-35, five in 1936-37, and two in 1938-39. Kalamazoo opened its first federally supported nursery schools in 1934-35 and operated them continuously until 1936-37. Four were operated from 1937-38 to 1939-40. Six were in operation in 1940-41 and 1941-42. Kalamazoo operated locally supported nursery schools for two or three years prior to 1930.

Lansing opened one nursery school in 1938-39, and has operated it continuously since. Highland Park reports that its nursery schools are supported locally, but does not report on the number. Ferndale reports that a nursery school was given a trial but it was not successful.

No nursery school was in operation prior to 1934-35.

Public Libraries

The support of the public library has created an issue in some of the schools in Michigan, especially since the over-all tax limit became effective and provisions for state aid have consistently failed to consider the public library as a school function.

In 1937, the legislature enacted a statute which was to provide annually \$500,000 for the support of public libraries from the state general fund from moneys not otherwise appropriated.¹

¹Public Acts of Michigan, 1937, No. 315, sec. 1.

In order to be eligible for state aid under this act for the first three-year period, any library must have received from the local unit or units supporting it, an annual amount equal to the amount received the previous year.¹ After this three-year period, any library whose total income was less than \$6,000 must combine with some other library to be eligible for further aid.²

The 1941 legislature amended the public library act to provide:

That a public library now in existence or which may be hereafter established, must in its fiscal year receive from any county, township, school district, city, village, or other municipality, or any two or more of such governmental units, an amount of money equal to or greater than the average amount of money received per year by said library from any county, township, school district, city, village, or other municipality, or any two or more of such governmental units, during said library's three fiscal years immediately preceding July 1, 1941.³

In reply to the question, "Does your school system support a public library?" eight schools replied in the affirmative, eighteen said "No," and two replied that the public library received part of its support from the school system. The other schools did not reply.

Flint, one of the large schools replying in the affirmative, reported that most of its aid to the public library came from one of their foundations. In those districts that do not support a public library, the county supported one and the municipal government supported the remainder. All of the schools reported that the source of public library support had not changed during the ten-year period.

In Table 34 the average annual expenditures for the support of the public library by the school districts is shown, together with the average annual contribution per 1,000 population. The latter figure appears to be the more significant, although it is easy to understand that the support of a good public library in a large city would cost less per 1,000 population than it would in a small city. The highest amount contributed per 1,000 population by any city was in Muskegon, a fifteen mill city. The second

¹Ibid., sec. 7a.

²Ibid., sec. 7c.

³Ibid., sec. 7a.

TABLE 34

AVERAGE ANNUAL CONTRIBUTION TO THE SUPPORT OF PUBLIC LIBRARIES BY TEN SCHOOLS
FOR THE TEN-YEAR PERIOD, 1930 TO 1940

Three Schools in 15 Mill Cities				Seven Schools in Non-15 Mill Cities			
City	Popu- lation	Average Annual Aid to Public Library	Average Annual Aid Per 1,000 Population	City	Popu- lation	Average Annual Aid to Public Library	Average Annual Aid Per 1,000 Population
Muskegon....	41,000	\$70,917.53	\$1,721.80	Kalamazoo....	55,000	\$80,569.90	\$1,464.91
Flint.....	156,000	92,504.22	592.97	Grosse Point	23,933	16,680.70	651.01
Battle Creek	43,500	16,822.23	386.72	Lansing.....	78,000	42,430.22	543.98
				Mt. Clemens.	13,497	7,000.00	518.63
				Alpena.....	12,166	5,000.00	410.90
				Hastings....	5,227	1,700.00	325.23
				Ferndale....	20,855	500.00	23.97

highest average annual contribution was by Kalamazoo, a non-fifteen mill city. The contribution to the public library in Muskegon in 1930-31 was \$99,228.00. In 1938-39 Muskegon contributed slightly over \$66,000.00, and its amount for 1939-40 for the first nine months was \$34,830.00. In Kalamazoo the annual contribution to the public library in 1930-31 was \$91,370.00. In 1939-40 the annual contribution for Kalamazoo was \$87,898.00. In the seven non-fifteen mill cities that support public libraries, four report having contributed the same in 1939-40 as in 1930-31, two contributed slightly less, while one contributed more. Of the three fifteen mill cities, two report contributing considerably less in 1939-40 than in 1930-31, whereas one contributed slightly more.

From an analysis of the data it does not appear that the support of the public libraries in the average school system included in this investigation has been seriously reduced. On the other hand it appears that, with a few exceptions, support for public libraries has received very favorable consideration by the public school systems.

Public Recreation Programs

Some of the data concerning the support of recreation programs is analyzed in Table 35. The school contributing the highest annual amount per 1,000 population is Ferndale, the second, Kalamazoo, and the third, Mount Clemens. Of the two schools in fifteen mill cities, Grand Rapids reports contributing slightly more to the support of recreation in 1939-40 than in 1930-31, while Muskegon contributed less. Three of the schools in the non-fifteen mill cities, Kalamazoo, Ferndale and Holland, contributed considerably more in 1939-40, Lansing and Grosse Point contributed slightly more, while Adrian, Bay City and Mount Clemens contributed the same in 1939-40 as in 1930-31. Some of the schools do not report having contributed for the first two or three years of the decade, indicating that their programs were begun around 1932 or 1933. Four of the schools in non-fifteen mill cities, Grosse Point, Kalamazoo, Lansing, and Mount Clemens, report contributions to recreation for all ten years covered in the investigation. Bay City reports contributions for the years 1933-34 through 1939-40. Ferndale reports contributions for all years from 1934-35 through 1939-40. Holland contributed for only three years, 1937-38 through 1939-40. Grand Rapids reports its first

TABLE 35
AVERAGE ANNUAL CONTRIBUTIONS TO THE SUPPORT OF PUBLIC RECREATION PROGRAMS BY
TEN SCHOOLS FOR THE TEN-YEAR PERIOD, 1930 TO 1940

City	Two Schools in 15 Mill Cities			Eight Schools in Non-15 Mill Cities		
	Popu- lation	Average Annual Contribution to Public Recreation Program	Average Annual Amount Per 1,000 Population	City	Popu- lation	Average Annual Contribution to Public Recreation Program
Grand Rapids Muskegon....	169,000	\$6,836.53	\$40.45 18.05	Ferndale....	20,855	\$1,133.91
	41,000	740.00		Kalamazoo...	55,000	7,525.30
				Mt. Clemens.	13,497	1,500.00
				Grosse Point	23,933	1,906.00
				Lansing.....	78,000	4,173.99
				Holland.....	14,346	666.67
				Adrian.....	13,064	500.00
				Bay City....	47,000	500.00
						Average Annual Amount Per 1,000 Population
						\$150.27
						136.46
						111.13
						79.63
						53.51
						46.47
						38.27
						10.64

contribution for 1933-34 and reports contributing for each year thereafter. Muskegon contributed to the recreation program for all ten years. It appears that recreation programs have received very favorable consideration by boards of education, especially during the period of depression and a period when finances for the support of the regular school program have been seriously curtailed due to the over-all property tax limitation. In most of these communities the depression has created a large group of unemployed persons, thus contributing to the need for a large recreational program. With a reduction in the list of unemployed persons, recreation programs are expected to taper off markedly.

There is no state law under which public recreation programs are operated. Schools and municipalities in some cities have included this additional service to the public as one of the services to be provided for the young people as well as adults. No state aid has been granted to any governmental unit in support of such programs.

Summary

The data on services presented in this chapter appear to warrant the following statements:

1. The largest number of courses was added during the decade in social sciences, commerce, and English, respectively. One-half of all additions reported were in these three subject fields. In all, there were 128 courses reported as having been added.
2. Of the sixty courses reported eliminated, the largest numbers were reported in English, social science, music and art. More than half the eliminations were in these four subject fields.
3. Among the new courses added were such courses as senior English, modern literature, home decoration, contemporary world problems, practical science, senior biology, clerical practice, problem analysis, personality adjustments, auto driving, senior science, personal typing, radio broadcasting, Latin American history, Early American dancing, related science, personal and social problems, retail selling, human relations, advertising and investments, sociology, consumer chemistry, essentials of living.
4. The courses added during the decade 1930 to 1940 indicate a definite trend at the senior high school level toward

the establishing of more courses of a general nature. The following courses reported as having been added will indicate in which subject fields these general courses appear: world history, general art, general business, general history, and general mathematics.

5. Few changes in junior high school courses were reported for the years 1930 to 1940. There were about two courses added to each one dropped.

6. Very few subjects were reported as either added or dropped in the elementary grades. This would be expected, since the elementary subjects are usually prescribed and differ little in the various school systems. Changes in elementary subjects are usually made in content and method. As evidence of a change in method, some courses in remedial work were reported. The writer's contacts with the schools reveal that even some who did not report, have remedial work going on in reading and English, and a few in mathematics.

7. There appears to have been an awakening during the ten-year period, in some of the schools of a need for changes in the social science program.

8. The ruling of the attorney general in 1933 to the effect that health service is a municipal and not a school obligation, resulted in the transferring of school nurses and school physicians in several systems to municipal payrolls and supervision. Some of the schools in the study still employ doctors and nurses in spite of the ruling of the former attorney general, while others have eliminated the service entirely.

9. Special supervision appears to have been quite commonly considered during the ten-year period from 1930 to 1940 as a service which could be eliminated. About half of the schools report elimination or curtailment of special supervision. Art, penmanship, music and physical education are the ones most frequently mentioned. These services have been restored in most instances.

10. General supervision was curtailed during the decade in three schools and the number of principals was reduced in eleven.

11. While some other services were curtailed, clerical assistance appears to have increased during the ten-year period.

12. There was an increase in social workers--visiting

teachers and psychiatric social workers.

13. Classes for the school deviates increased during the decade, and more schools now provide them than in 1930. This may be due to the fact that more special state aid is available than formerly.

14. Placement, as a function of the secondary schools, was recognized in the latter half of the decade.

15. The schools are recognizing the importance of social interpretation as a major function of the school program.

16. The operation of kindergartens in Michigan school systems is almost universal. No school in this investigation reported that kindergartens were not in operation prior to 1930. Two school systems, Calumet and Ionia, eliminated kindergartens in 1932-33 and 1933-34, respectively. Calumet restored theirs in 1934-35 and kindergartens were restored in Ionia in 1935-36. Flint reduced kindergartens to one semester in 1932-33 but restored them to full year in 1937-38. These were results of the depression and property tax limit. It is difficult to know which one had the greater immediate effect.

17. The operation of federally supported nursery schools has been common in the larger school systems covered by this investigation since 1933-34. Their organization was part of a national program to relieve depression conditions and cannot be attributed directly to a property tax limitation. However, Michigan has greatly encouraged them.

18. The support of the public library is not considered to be school function in the majority of schools included in this investigation. The majority are supported by the municipal governments, the second largest number is supported by school systems, while the county supports one, and a foundation supports the public library in one city.

The property tax limitation did not cause a reduction in expenditures for public libraries in six of the ten school systems. In four systems, the funds allocated to public libraries were less in 1939-40 than in 1930-31.

19. The majority of the school systems included in this study do not support public recreation programs. The property tax limit has apparently not affected adversely the programs in these schools in which support has been given.

CHAPTER IX

EFFECTS OF THE PROPERTY TAX LIMITATION AMENDMENT UPON MUNICIPALITIES

Introduction

The constitutional limitation on the property tax rate in Michigan does not include the tax rate for municipal purposes. Tax rates for service of debts incurred prior to December 8, 1932, in all governmental units are likewise outside the limitation. When the limitation was adopted in 1932, it was the opinion of many of the officials and legal experts that municipal tax rates came within the fifteen mill limit. This issue was settled, however, when in the Pontiac Case¹ the Supreme Court ruled that municipal tax rates were exempt from the provisions of the amendment unless, by vote of the people of the municipality, positive action were taken to provide for such limitation.

Since 1932, elections have been held in nineteen cities for the purpose of placing municipal rates under the limitation. In eleven of the cities the elections carried. These eleven cities are listed in Table 36 in the order in which the elections were held. The data provided in Table 36 give the election date, and the effective date of the limitation, together with the number of votes cast. In the following eight cities, the issue was defeated by the percentage of negative votes listed: Kalamazoo, 52; Lansing, 73; Big Rapids, 73; Nashville, 84; Cadillac, 63; Lapeer, 73; Crossover, 60; and Benton Harbor, 58.

It will be noted from Table 36 that the first successful election to place municipal tax rates under the over-all tax limitation was held in the city of Flint on April 30, 1934, and became effective July 1, 1934. Any effect, then, of limiting the municipal tax rate in Flint would show first in the year 1934. This first successful election was quickly followed by ten others, and

¹School District of City of Pontiac v. City of Pontiac, 262 Michigan 336, 247 N.W. 474.

by November 6, 1935, eleven cities had voted to place municipal tax rates within the fifteen mill limitation. Jackson was the city in the list of eleven with the latest effective date for limiting municipal tax rates. The effective date in Jackson was July 1, 1936. The combined effects of the tax limit in all the eleven cities will appear after this date. In all but three of the cities, limitations were in effect by 1934 or 1935.

TABLE 36

CITIES OPERATING UNDER STATE CONSTITUTIONAL
TAX RATE LIMITATION*

Municipality	Election Date	Number of Votes Cast			Effective Date of Limitation Fiscal Year Beginning
		Yes	No	Total	
Flint	Apr. 30, 1934	4,154	1,849	6,003	July 1, 1934
Muskegon	Sept. 11, 1934	3,886	1,034	4,920	Jan. 1, 1935
Muskegon Hts.	Sept. 11, 1934	1,063	174	1,237	July 1, 1935
No. Muskegon	Sept. 11, 1934	292	127	419	Jan. 1, 1936
Gr. Rapids	Nov. 6, 1934	20,118	15,162	35,280	July 1, 1935
Saginaw	Nov. 6, 1934	7,051	6,606	13,657	July 1, 1935
Pontiac	Nov. 6, 1934	5,531	4,695	10,226	Jan. 1, 1935
Battle Creek	Apr. 1, 1935	4,248	3,896	8,144	July 1, 1935
Ionia	Apr. 1, 1935	1,208	894	2,102	Apr. 15, 1935
Jackson	Nov. 5, 1935	5,398	3,782	9,180	July 1, 1936
Belding	Nov. 6, 1935	537	405	942	Jan. 1, 1936

*Schimmel, op. cit., p. 3.

Sources of Information

Information concerning municipal financing, municipal services and personnel was secured from several sources. Annual reports of municipal receipts and expenditures were available for a few cities but in most instances for only the last year or two of the period covered by the investigation. Most of the data on assessed valuations, tax levies, and tax collections were secured from the publications of the Michigan Municipal League and the United States Bureau of the Census. The data collected by the United States Census Bureau and reported in Financial Statistics of Cities, provided information for the years 1929 to 1931. Prior to 1932, the census data provided information for cities of 30,000 and above. Since only two cities in this study have populations of over 100,000, this source was of little value after 1931.

The Municipal Yearbook provided data on the number of employees, salaries of employees, types of city governments, retirement systems, and employee organizations, for a limited number of years. The amount of weight and gas tax aid was secured from the State Highway Department. Data on state aid from the Liquor Act was secured from the office of the State Liquor Commission. The State Department of Welfare furnished all information on state and federal aid for general welfare or relief.

The library of the Bureau of Government, University of Michigan, provided valuable assistance in locating source material and in making such material available for the study through loans. The State Tax Study Commission supplied copies of its publications of studies made on the effects of the limitation in the fifteen mill cities in Michigan. Publications of the Michigan Education Association and the Department of Public Instruction provided valuable information which was useful as source material for this chapter.

These comprise most of the sources of data which have been used to show some of the effects of the limitation in municipalities. Data are not complete for all the years. It was not possible to secure the necessary information from municipal authorities by a questionnaire or a personal conference without a vast amount of clerical work in each city. But since the Michigan Municipal League has been collecting annually since 1932 the information on assessments, levies, and collections, this information, although not complete for all cities, is accurate and official insofar as it goes.

The Administration of the Limitation in Municipalities

In the eleven cities which are under the limitation, the determination of the tax rate is in the hands of the county tax allocation commission. This commission is composed of five members--the county treasurer; the chairman of the board of auditors or chairman of the ways and means committee of the board of supervisors of the county; the county school commissioner; one member of the school board of a school district maintaining a twelve-grade school; and one member not officially connected with any local unit, who shall be selected by the judge or judges of probate of the county. In 1941 the legislature passed an act which

changed the number of members in certain counties.¹ In Counties having a population of 150,000 or less, in which there are one or more incorporated cities of 15,000 population or more, operating under the fifteen mill amendment, the commission is composed of three members--the chairman of the finance committee of the board of supervisors of said county, if a resident of the rural area, or if not, some other member of the finance committee chosen by the chairman of the board of supervisors, who does reside in a rural section; a member selected by the legislative board of the largest incorporated city in the county; and a representative of the board of education of the school district having the largest population in the county.

In the counties in which the eleven fifteen mill cities are located, the county tax allocation commission divides the fifteen mills among the county, the school district, and the municipality, inside the city boundaries, and among the county, school district, and township, outside the city. The statute provides that at least three mills must be allocated to the county and four to the school district, except as provided in the following section:

If the average tax rate levied for the operating purposes of any county or school district for its last three fiscal years shall be less than such minimum tax rate, such average tax rate shall be the minimum tax rate allowed to such local unit.²

The act also requires that one mill must be allocated to townships, and two mills to port districts where established, but since they are not levied within city boundaries, they do not affect the allocation of the tax rate in the municipalities.

Another section of the act provides that

The commission shall allocate from the net limitation tax rate one-tenth of one mill for each municipal corporation for which there are provisions in its charter or general law fixing maximum limits on its power to levy taxes against property for such purposes as may be authorized by law to be supported under the municipal budget.³

This section refers to the allocation of one-tenth of one mill to incorporated villages. No such allocation is made to

¹Public Acts of Michigan, 1941, No. 150, sec. 5.

²Ibid., 1933, No. 62, sec. 11 (e). ³Ibid., secc. 11 (b).

unincorporated villages nor to cities. There is, then, no minimum tax rate which must be allocated by the tax allocation commission to city governments.

After the minimum rates have been allocated, the commission may allocate the remaining mills among the school district, the county, and the municipality, in any way it may decide, except that no local unit may be allowed a tax rate in excess of what would be required according to its proposed budget. Usually there has been a very fair allocation of the remaining mills, based on budgets submitted by the governmental units. (The county tax allocation commission has no supervision over municipal tax rates except in the case of fifteen mill cities.)

Local Support of Municipal Government

Assessed Valuation

A knowledge of what has happened to the assessed valuation of municipalities will be helpful in getting a clear picture of the financing of city governments. The assessed valuations of the twenty-two cities for the thirteen-year period, 1929-41, are given in Table 52 in the Appendix.¹ These figures are taken from the publications of the Michigan Municipal League.

The cities are divided into fifteen mill and non-fifteen mill groups, even though none of them was under the limitation prior to 1934. All cities in which the tax rates are not under the limit show a decrease in the 1941 valuations as compared with the 1929 valuations. Three of the fifteen mill cities, Saginaw, Flint, and North Muskegon, show higher valuations in 1941 than in 1929. All other fifteen mill cities report lower valuations in 1941 than in 1929.

Among the twenty-two cities, Highland Park, Lansing, and Belding, report valuations in 1941 which are more than thirty per cent under those of 1929. Six cities had valuations in 1941 which were more than twenty-five per cent under the valuations of 1929. Three of these are fifteen mill and three are non-fifteen mill cities. Among the non-fifteen mill cities the mean decrease in valuation in 1941 over 1929 is 17.55 per cent, while the mean decrease among the fifteen mill cities is 19.35.

The decrease in the assessed valuations of all cities except North Muskegon was quite noticeable between 1930 and 1933.

¹Pages 299-302.

(In eight cities, the valuations were slightly higher in 1929 than in 1930.) Two non-fifteen mill cities and one fifteen mill city report lowest valuations in 1933 for the thirteen-year period. In 1934, six cities, four fifteen mill and two non-fifteen mill, lowest valuations were reported for the thirteen-year period. In 1936, two cities, one in each group, report their valuations were lowest for all years. One fifteen mill city, Belding, in 1939, and Escanaba and Lansing, two non-mill cities, report valuations lowest in 1940 for the thirteen-year period.

Data in Table 37 show the per capita assessed valuation for each city for each of the thirteen years, 1929-41. The smaller cities rather consistently report the lowest per capita assessed valuations. Escanaba, a non-fifteen mill city, had the lowest per capita valuation of any city for all the years. Belding and Ionia, two of the smaller fifteen mill cities, had the next lowest per capita valuations. North Muskegon, the smallest city among the twenty-two, was the only exception. This city maintained a per capita valuation each year of more than that for 1929, and showed an increase of almost one-half during the thirteen-year period. Its valuation was quite comparable to that in larger cities.

In 1929, three cities, Dearborn, Hamtramck, and Highland Park, had per capita assessed valuations of more than \$2,000.00. Dearborn's was \$5,221.00, the highest reported. These three cities are all non-fifteen mill, and are suburban cities of Detroit. The mean per capita assessed valuation among the non-fifteen mill cities in 1929 was \$1,498.00. The range was from \$592.00 to \$5,221.00. The mean per capita assessed valuation among the fifteen mill cities in 1929 was \$1,607.00. The range was from \$899 to \$1,682.00.

In 1941, the mean per capita assessed valuation among non-fifteen mill cities was \$1,347.00. The range was from \$536.00 to \$3,377.00. Among the fifteen mill cities, the mean in 1941 was \$1,1173.00. The range was from \$606.00 to \$1,686.00.

Three of the fifteen mill cities, Flint, North Muskegon, and Saginaw, show increases in per capita assessed valuations in 1941 over 1929. All other fifteen mill and non-fifteen mill cities show decreases. The mean per cent decrease in per capita assessed valuation in 1941 over 1929 in fifteen mill cities was 19.95. The range was from a decrease of 32.59 per cent to an

TABLE 37

PER CAPITA ASSESSED VALUATION OF TWENTY-TWO CITIES
OVER A THIRTEEN-YEAR PERIOD, 1929-1941

Year	15 Mill Cities										
	Battle Creek	Belding	Flint	Grand Rapids	Ironla	Jackson	Muskegon	Muskegon Heights	North Muskegon	Pontiac	Saginaw
1929....	\$1,607	\$899	\$1,305	\$1,632	\$972	\$1,610	\$1,373	\$1,042	\$1,157	\$1,551	\$1,197
1930....	1,647	820	1,440	1,629	972	1,642	1,594	1,066	1,299	1,588	1,229
1931....	1,850	785	1,414	1,572	914	1,622	1,433	1,059	1,388	1,574	1,191
1932....	1,423	737	1,258	1,446	768	1,548	1,322	901	1,349	1,208	1,163
1933....	1,188	641	1,099	1,122	708	1,249	998	699	1,335	819	1,142
1934....	1,200 ^a	634	1,093 ^a	1,098 ^a	685 ^a	1,226	939 ^a	699 ^a	1,310	858 ^a	1,051 ^a
1935....	1,232 ^a	614	1,083	1,095	687 ^a	1,212	967 ^a	696 ^a	1,313 ^a	839 ^a	1,152 ^a
1936....	1,261	625 ^a	1,119	1,100	679	1,199 ^a	997	722	1,313 ^a	917	1,168
1937....	1,320	610	1,121	1,121	687	1,218	997	750	1,591	957	1,194
1938....	1,363	602	1,297	1,141	683	1,222	1,034	770	1,511	976	1,207
1939....	1,393	594	1,313	1,138	692	1,237	1,097	788	....	1,029	1,213
1940....	1,538	603	1,336	1,167	696	1,358	1,099	772	1,306	1,081	1,167
1941....	1,553	606	1,403	1,173	695	1,376	1,099	792	1,686	1,128	1,229
Per Cent. Change 1929-41.	-2.74	-32.59	7.96	-30.26	-28.49	-14.53	-19.95	-23.98	45.72	-27.27	2.67

^aYear in which limitation became effective in that city.

TABLE 37--Continued

Year	Non-15 Mill Cities										
	Ann Arbor	Bay City	Benton Harbor	Dearborn	Escanaba	Hamtramck	Hastings	Highland Park	Kalamazoo	Lansing	Port Huron
1929..	\$1,934	\$1,011	\$1,304	\$5,221	\$592	\$2,135	\$1,023	\$2,560	\$1,498	\$1,976	\$1,227
1930..	1,987	1,006	1,312	5,072	591	2,084	1,010	2,514	1,509	1,997	1,237
1931..	1,987	1,006	1,268	4,401	661	1,903	926	2,152	1,475	1,945	1,230
1932..	1,585	872	1,132	3,756	581	1,371	852	1,724	1,439	1,570	1,144
1933..	1,400	939	1,110	3,199	580	1,173	852	1,449	1,353	1,394	1,006
1934..	1,403	829	948	3,219	576	1,209	829	1,468	1,303	1,395	998
1935..	1,391	813	966	3,230	551	1,282	839	1,474	1,474	1,378	997
1936..	1,391	817	972	3,283	555	1,294	830	1,493	1,493	1,383	999
1937..	1,402	898	1,005	3,436	556	1,307	858	1,532	1,339	1,423	1,011
1938..	1,421	891	1,024	3,611	559	1,275	856	1,550	1,345	1,385	1,040
1939..	1,433	899	1,056	3,818	560	1,262	847	1,501	1,346	1,397	1,052
1940..	1,315	890	967	2,913	535	1,462	879	1,566	1,373	1,307	1,023
1941..	1,347	912	995	3,377	536	1,510	899	1,699	1,357	1,369	1,039
Per Cent Change 1929-41	-30.29	-9.79	-23.69	-35.31	-9.46	-29.27	-12.12	-33.63	-9.41	-30.72	-15.32

increase of 45.72 per cent. The mean decrease among the non-fifteen mill cities was 23.69 per cent. The range was from 35.31 to 9.41 per cent.

There is abundant evidence to show that the decrease in valuations contributed directly to bringing on the over-all tax limitation. There is not much evidence that assessed valuations contributed to the limiting of the municipal tax rates in the eleven cities. In 1934, when the first city, Flint, was successful in placing its municipal tax rate under the limitation, the median per capita assessed valuation in the fifteen mill cities was \$1,051.00, while in the non-fifteen mill cities the median was \$1,209.00. In 1935, the situation was much the same. If higher valuations were the sole purpose for limiting tax rates, the non-fifteen mill cities, on the average, would have been more justified than those cities which did limit the rates.

There is some evidence to show that limiting the tax rates encouraged raising the assessed valuation in some of the cities. As previously mentioned, Flint, North Muskegon, and Saginaw had higher valuations in 1941 than in 1929. In all the cities except Belding and Ionia, the valuations began to increase immediately after the limitation of the rates became effective. It is not known just what effect the business conditions in these cities had upon the time when valuations began to increase. These cities do not, however, differ markedly in this respect from the eleven cities which did not limit their tax rates.

Tax Levy

.Rate of Levy

It would be expected that the tax rates for any governmental unit would be directly affected by any limitation which reduced the maximum rate on property for all governmental units. To reveal the effect of the limitation in those eleven cities which, from 1934 to 1936, voted to place their tax rates under the fifteen mill constitutional limit, the twenty-two cities were divided into two groups of eleven cities each. Even though all cities, prior to 1934, were non-fifteen mill cities, the eleven cities which later limited their rates are listed as fifteen mill cities in the tables for all thirteen years covered by this portion of the study. This arrangement provides an opportunity to study effects of the depression in all the cities and to study

differences arising between the two groups of cities after the limitation became effective in the eleven. The other eleven serve as a control group, typical of all other cities in Michigan, except that seven of them are the largest non-fifteen mill cities in the state and compare in size as favorably as possible to the seven largest fifteen mill cities. (Detroit is excepted.) The other four non-fifteen mill cities were used as typical of the smaller cities, and compare rather favorably in size with the four smallest fifteen mill cities.

The tax rates for operation and debt service for the majority of the thirteen years, 1929 to 1941, and for most of the twenty-two cities are reported in Table 53 in the Appendix.¹ The total tax rates are also given. Most of these data were collected from the publications of the Michigan Municipal League. The rates were not reported for all cities for all years, and for 1929, the total rates were all that could be obtained. Some of the rates not available from this source were secured from the office of the State Tax Commission. Even that office, however, could not furnish data on operation and debt service rates separately for all cities prior to 1933. With the passage of the fifteen mill limitation amendment, it became necessary to show these two rates segregated, since the debt service rate could be levied outside the limitation.

Tax rates for operation purposes.---Considering the tax rates for operation first, it will be noted that in ten of the fifteen mill cities, the rates were less in 1941 than in 1930, and in only one fifteen mill city, Battle Creek, was the rate for operation greater in 1941 than in 1930. The mean reduction in tax rates for operation in 1941 over 1930 was approximately 47.9 per cent. The range was from a reduction of 28.7 per cent to the greatest reduction of 71.6 per cent.

Among the eleven non-fifteen mill cities, nine report higher rates for operation in 1941 than for the year 1933, the first year operation tax rates were reported separately in these cities. One of the other two cities, Ann Arbor, reports a higher rate in 1941 than in 1932, the first year the rate for operation is reported for that city. Hamtramck reports operation tax rates for 1933 and 1934 only. The mean per cent of increase in the tax rate for operation among the ten non-fifteen mill cities in 1941 over the first year in which these cities reported separate rates

¹Pages 303-08.

was approximately 16.4. The range was from 2.2 per cent increase to 58.0 per cent increase.

(If the 1933 operation tax rates were used for comparative purposes in the case of the fifteen mill cities, instead of those for 1930, the 1941 rates would still be less in all instances. In some cases, the decreases would have been even more pronounced.)

These data show that the tax rates for operation in the fifteen mill cities have definitely been reduced. As compared with the tax rates for operation in the non-fifteen mill cities, the tax rates in fifteen mill cities show a much greater reduction.

Tax rates for debt service.--The debt service tax rate in four fifteen mill cities was less in 1941 than in 1930, and it was greater in seven. The greatest reduction in debt service tax rate was in the city of North Muskegon, where the 1941 rate was 67.6 per cent lower than the rate in 1935, the first year this city reported a debt service rate. In Muskegon Heights, the 1941 debt service rate was 74.2 per cent higher than in 1930.

In the non-fifteen mill cities, ten reported debt service rates for the first time in 1933, and one city, Ann Arbor, first reported such a rate for 1932. In eight of these cities, the 1941 tax rates for debt service were lower than those in the first year reported. In one, the 1941 rate was higher. In Hastings, no debt service rate has been levied, and in Kalamazoo, no rate for debt service has been levied since 1937. Hamtramck reports no separate rates for debt service except for the years 1933 and 1934. The mean decrease in the 1941 tax rates over the first one reported was approximately 47.1 per cent. The range was from a decrease of thirty-five per cent to a decrease of 87.9 per cent.

Total tax rates.--The total tax rate levied is by far the most important of the three, as far as the taxpayer is concerned, for it determines the property tax to be paid for municipal purposes per \$1,000 valuation. Sixteen of the twenty-two cities report lower total tax rates in 1941 than in 1929. All of the fifteen mill cities are among these sixteen. The five non-fifteen mill cities are: Ann Arbor, Benton Harbor, Escanaba, Hastings, and Kalamazoo. The smallest decrease was 0.31 per cent, reported for Hastings. The greatest reduction was 59.0 per cent, in the city of North Muskegon. Six cities report higher total rates in 1941 than in 1929. The greatest increase was reported for the city of Hamtramck, where the 1941 rate was 58.4 per cent higher than that of 1929.

The year when the total tax rate was lowest is a significant factor in determining the effect of the over-all constitutional limitation. If the rates were not decreased in the cities which placed their rates under the provisions of the limitation, it could hardly be said that taking such action on the part of a city would greatly affect the municipal finances.

Let us see what the situation is, first, among the eleven fifteen mill cities. In seven of these cities, the lowest total tax rates for the thirteen-year period were levied in 1941. One fifteen mill city levied its lowest total rate in 1940, one in 1939, and one in 1938.

Among the eleven non-fifteen mill cities, all but one reported their lowest total tax rates for the entire thirteen-year period for years on or before 1933. One city, Ann Arbor, levied its lowest total rate in 1940.

From the foregoing statements, it is evident that placing the municipal tax rate for operation purposes under the provisions of the over-all constitutional limitation results in operating rate reduction and, in most instances, also results in the total rate being reduced. A reduction in the operation rate would, of course, result in a reduction in the total rate unless the rate for debt service were increased.

Amount of Levy

Since assessed valuations of the twenty-two cities are included for each of the thirteen years covered in this portion of the study, and tax rates are provided for most of the cities for these years, presentation of the property tax levy might appear to be unnecessary. (The levy is merely the product of the assessed valuation of the tax rate.) But since the assessed valuations could increase or decrease while at the same time the tax rate could do just the opposite, listing the amount of the levy would be necessary to show the true financial picture.

It was decided to include the total tax levy for the cities for the thirteen years, since these levies were available in most instances, whereas levies for operation and debt service were not always segregated, especially prior to 1933. Data on the total tax levy, including operation and debt service, in twenty-two cities for the thirteen-year period, 1929 to 1941, are reported in Table 54 in the Appendix.

All of the eleven fifteen mill cities show lower total tax levies in 1941 than in 1929. Two cities, Grand Rapids and Ionia, had levies in 1941 which were less than half the levies in 1929. In Ionia, the 1941 levy was only one-third of that in 1929. All cities, except Battle Creek, had levies in 1941 that were thirty per cent or more under the 1929 levies. Lowest levies for the thirteen-year period were reported for Battle Creek in 1935; for Jackson, North Muskegon, and Pontiac, in 1936; for Flint in 1937; for Belding in 1939; for Grand Rapids, Ionia, Muskegon, Muskegon Heights, and Saginaw in 1940. In Battle Creek, Jackson, and North Muskegon, the lowest levies occurred the same year the limitation of the municipal rates became effective. In all other cities, the lowest levies occurred one or more years after the effective dates of the limiting of the tax rates.

The greatest reduction in the 1941 levy in a non-fifteen mill city over the 1929 levy was 37.2 per cent, in Ann Arbor. In two cities, Deaborn and Port Huron, the 1941 levies were almost the same as those in 1929. Only three cities, Ann Arbor, Benton Harbor, and Kalamazoo, show 1941 levies which were reduced more than twenty-five per cent over those of 1929.

Lowest levies were reported by Escanaba in 1932; by Bay City, Dearborn, Hamtramck, Hastings, Highland Park, and Port Huron in 1933; by Benton Harbor in 1934; by Kalamazoo in 1935; and by Ann Arbor and Lansing in 1940.

In comparing the two groups of cities as to total tax levies for the thirteen-year period, it is evident that there was a greater reduction over the period in the fifteen mill cities. The mean reduction in the fifteen mill cities in 1941 over the levies in 1929 was 40.4 per cent. The range was from a reduction of 7.5 per cent to the greatest reduction of 67.6 per cent. In the non-fifteen mill cities, the mean reduction in the 1941 levies over 1929 was 12.7 per cent. The range was from an increase of 20.0 per cent to a reduction of 37.2 per cent. Seven of the non-fifteen mill cities report lowest levies prior to 1935, while no fifteen mill city reports lowest levy earlier than 1935.

These data indicate that the limiting of the municipal tax rates in some of the eleven cities probably resulted in lowering the levies, while the levies in cities where tax rates were not limited began to increase with the return of the cities to normal business conditions.

Tax Collections

The publications of the Michigan Municipal League contain information on the collections from the property tax up to the end of the fiscal year in the cities and villages of Michigan. From this source, data were secured for most of the years, 1929 to 1941, for the twenty-two cities in this study. From this information, the per cent of the levy collected is reported in Table 38. In some instances, collections were reported for dates other than the end of the fiscal year. Those instances are specified in Table 38.

Fifteen mill cities.--North Muskegon does not report information on tax collections for any of the thirteen years. Belding, Jackson, and Muskegon did not report for more than five or six years. There were no reports from any cities for 1935.

In the seven cities for which there is reliable information for the thirteen-year period, Muskegon Heights reports its lowest percentage collections in relation to levy in 1932, Grand Rapids in 1933, Ionia and Pontiac in 1934, Saginaw and Battle Creek in 1936, and Flint in 1937. Jackson, which reported only for the years 1936-41, shows the lowest collection in 1936, but shows a steady increase in 1941. Belding reports a delinquency of almost one-half the levy in 1936, but reports an increase in collections from this date to 1941. Muskegon reported for five years, 1929, 1930, 1931, 1932, and 1939, and showed a decrease in collections from 88.6 per cent in 1929 to 69.4 per cent in 1932. In 1939 the per cent of the levy collected was 86.9, almost equal to that of the first year reported. Battle Creek, Flint, and Saginaw report lowest tax collections after the effective dates of the limiting of the municipal tax rates in those cities. In Belding and Jackson, the lowest collections fall on the years when the municipal tax rates were first placed under the over-all limit. In the other six fifteen mill cities, the lowest collections occurred in some year prior to the limitation of the municipal tax rates.

Non-fifteen mill cities.--The years when the eleven non-fifteen mill cities had lowest collection of taxes in relation to the levies were: Kalamazoo in 1933; Escanaba in 1934; Bay City, Benton Harbor, Dearborn, Hastings, Highland Park, Lansing, and Port Huron in 1936; Ann Arbor in 1937; and Hamtramck in 1940.

Comparing the two groups of cities, it will be noted that

TABLE 38
THE PER CENT OF TAX LEVY COLLECTED PRIOR TO END OF FISCAL YEAR
IN TWENTY-TWO CITIES FOR THE PERIOD 1929-1941

Year	Per Cent of Tax Levy Collected Prior to End of Fiscal Year										
	15 Mill Cities										
	Battle Creek	Bellevue	Flint	Grand Rapids	Ionia	Jackson	Muskegon	Muskegon Heights	North Muskegon	Pontiac	Saginaw
1929.....	....	....	86.7	94.2	92.6	....	88.6	73.8	....	79.4	89.3
1930.....	98.0	....	82.8	89.8	90.1	....	75.6	65.9	....	70.3	82.3
1931.....	92.0	....	74.2	78.0	83.5	....	72.1	59.8	....	57.9	76.6
1932.....	92.0	....	63.1	76.9	71.2	....	69.4	49.5	....	55.6	65.9
1933.....	82.0	....	67.0	66.9	58.6	....	....	51.5	....	53.5	67.1
1934.....	81.0	....	68.9	71.7	56.0 ^a	....	....	56.7	....	49.4 ^a	55.4 ^a
1935.....	....	....	....	....	....	....	....	....	....	....	....
1936.....	73.0	58.4	....	....	72.2	67.4	....	62.7	....	75.5	54.3
1937.....	90.9	....	57.2	85.2	80.6	87.3	....	77.1	....	85.3	78.7
1938.....	89.3	79.0	57.2	84.2	78.7	86.4	....	77.3	....	85.1	77.8
1939.....	90.8	84.7	59.3	87.0	87.9	90.9	86.9	82.0	....	85.4	....
1940.....	91.6	81.6	54.5	....	67.0	93.7	....	87.5	....	91.9	83.3
1941.....	93.9	86.6	65.0	91.4	....	94.8	....	93.0	....	94.5	87.0

^aCollections reported for date other than end of fiscal year.

TABLE 38--Continued

Per Cent of Tax Levy Collected Prior to End of Fiscal Year											
Non-15 Mill Cities											
Year	Ann Arbor	Bay City	Benton Harbor	Dearborn	Escanaba	Hamtramck	Hastings	Highland Park	Kalamazoo	Lansing	Port Huron
1929...	85.2	86.1	....	92.9	91.1	85.8	....	87.4	95.5	....	88.0
1930...	80.6	83.6	....	88.8	89.3	86.4	....	80.5	94.2	....	84.3
1931...	77.9	73.1	80.2	84.6	83.7	78.8	....	78.3	90.7	....	79.5
1932...	82.6	68.1	70.4	80.6	79.2	72.0	....	72.2	83.6	....	71.9
1933...	79.3	67.8	72.5	79.1	76.6	73.1	....	67.7	75.0	....	71.2
1934...	81.3	70.7	76.4 ^a	82.1	76.4	78.8	....	75.6	84.7	....	75.3
1935...	....	....	....	....	....	....	....	....	....	....	....
1936...	78.7	65.7	35.4	33.4	....	71.1	91.0	52.3	80.3	47.5	47.5
1937...	65.7	79.4 ^a	71.2	53.7	....	76.0	94.2	88.8	88.9	90.6	78.2
1938...	85.0	69.0	87.5	55.2	....	59.1	93.3	88.8	88.1	90.8	74.0
1939...	87.2	82.1	88.5	....	....	68.4	96.5	91.7	92.1	92.2	77.0
1940...	88.3	74.5	89.6	97.2 ^a	83.6	58.4	96.2	93.9 ^a	92.6 ^a	94.4	86.1
1941...	82.6	78.3	79.5	61.5	....	93.1	94.8	96.0	93.7	95.9	90.0

^aCollections reported for date other than end of fiscal year.

five of the fifteen mill cities and only two of the non-fifteen mill cities showed lowest collections on or before 1934. In 1941, six non-fifteen mill cities report collections of over ninety per cent of the levies. Five of the fifteen mill cities report collections in 1941 which were ninety per cent or more of the levies.

There is little evidence to show that the limitation of municipal tax rates influenced higher percentages of collections in the fifteen mill cities than those in non-fifteen mill cities. Business conditions might have forced lower percentage collections in the fifteen mill cities, if limits had not been established. It cannot be known what the situation in these cities might have been without the limitation of the tax rates. The proponents of the over-all limitation believed that under the limitation tax delinquency would decrease, and gave this as one reason for limiting the property tax rate. There is abundant evidence to show that the payment of taxes when due became more common after 1934. There are three factors which probably contributed to this conditions: first, the legislature passed a statute¹ making possible the payment of delinquent taxes in installments; the second was the improved business conditions; and the third, the property tax limitation. There is no doubt but that all of these contributed to higher payments of current taxes. Just which one contributed most is difficult to discover.

Attempts to Find Other Sources of Local Revenue

The cities and villages in Michigan have, since 1933, reported their financial statistics annually to the Michigan Municipal League. These publications, for the past four or five years, contain the amount of collections of revenue from business license fees, utility earnings, and special assessments. These data show a definite trend in some of the cities toward attempts to place some of the municipal functions on a self-supporting basis.

In the report of the Tax Study Commission, Schimmel calls attention to this trend. He says:

There is a tendency to put as many services on a utility basis (in 15 mill cities) as possible. Citizens are accustomed to the water department utility service and this principle is now being enlarged to include sewage disposal, maintenance of sewers, garbage collection, and other items.²

¹Public Acts of Michigan, 1933, No. 126.

²Schimmel, op. cit., p. 18.

There are few reports from cities collecting business license fees prior to 1938. Four of the fifteen mill cities--Flint, Jackson, Muskegon Heights, and Saginaw--report the collection of fees for the four years, 1938 to 1941. Grand Rapids, Ionia, and Pontiac each report the collection of license fees for three years. Battle Creek and Muskegon for two years, and Belding and North Muskegon for one year. Seven of these cities make a charge against utility services. The most common is a transfer of funds from the water department. Special assessments were declared in three of these cities for the years 1935 and 1936--Jackson, Muskegon, and Saginaw.

In the non-fifteen mill cities, all but one, Escanaba, report the collection of license fees, but none report for more than the last four years of the period. Nine report a charge against utility services, and seven declared special assessments for 1935 and 1936.

Altogether, in the twenty-five cities, seventeen cities report collection of license fees, sixteen report charges against utility services, and ten declared special assessments.

While these charges in most instances were not great, there is an evident trend in the direction of placing more of the municipal services upon utility bases.

Attempt by Municipalities to Limit or to Increase Their Tax Rates

It has been pointed out that in eleven of the cities in this investigation, elections to place the municipal expenditures under the provisions of the fifteen mill limitation amendment, have been carried successfully. Evidence has been secured to reveal any attempts made by the eleven fifteen mill cities through holding elections to vote themselves out from under the provisions of the limitation. The evidence shows that none of them have held such elections.

Inquiry was directed to officials in all the cities in Michigan having a population of 10,000 and over (except Detroit) to ascertain whether elections had been held to increase the tax rate for either operation or capital outlay, or to place the municipal tax rates under the limitation. Of eighteen non-fifteen mill cities reporting, four have held elections which would have placed municipal expenditures under the over-all tax limit, but

in all four the elections failed to carry, even though only a simple majority is necessary in such elections. One of these elections was held in 1934, two in 1935, and one in 1937. Kalamazoo was the first of these cities to hold such election. The proposition to place the municipal tax rate under the fifteen mill constitutional limit was defeated by a negative vote of fifty-four per cent. Lansing and Owosso held such elections in 1935. In Lansing, the vote was three to one against the proposition, and in Owosso the proposition lost by a three to two vote. Benton Harbor was the last city to hold an election to place its municipal rate under the fifteen mill limit. The proposition was defeated there in 1937.

It is apparent that once a city votes itself under the limitation, there is little opportunity to reverse the action. The first election requires only a simple majority, whereas the second would require a two-thirds majority. There is no question but that the provision for an over-all tax limit in Michigan encouraged the eleven cities to take advantage of the limitation to reduce their tax rates. Furthermore, there is no evidence that any city that voted to place its tax rate under the limitation has received a substantial financial consideration from the state because it has limited its rate.

State Aid to Municipalities

Weight and Gasoline Taxes

The weight tax (automobile registration) and the gasoline tax are, in reality, separate taxes, but at present are administered together as one tax. The weight tax on automobiles was first adopted in 1915, which act provided that fifty per cent of the funds be apportioned among the counties according to the amount of weight tax collections.¹ This money was to be used for maintenance and improvement of highways. The weight tax was at first set at twenty-five cents per hundred pounds. In 1919 the rate was changed to thirty-five cents.² It was again changed in 1925 to fifty-five cents per hundred pounds,³ and was later

¹Public Acts of Michigan, 1915, No. 302, sec. 34.

²Ibid., 1919, No. 383, sec. 7.

³Ibid., 1925, No. 1, sec. 71.

reduced to thirty-five cents per hundred pounds, which rate is still in effect for passenger automobiles, farm trucks, and house car trailers attached to passenger cars.¹ In 1925, the amount returned to counties was changed from fifty per cent of the total to \$6,000,000 as a lump sum to all counties in the state. The Horton Act² of 1932, as amended, allocated all the weight tax and a portion of the gasoline tax to counties.

The first gasoline tax was adopted in 1925. It placed a tax of two cents on each gallon.³ In 1927, the tax was raised to three cents per gallon, which is the present tax on gasoline.⁴ The act also introduced a new principle which has been retained in all subsequent weight and gasoline apportionment laws. This principle is the distribution of 7/8 of the money which goes to the counties on the basis of weight tax collections in each county, and the remaining 1/8 equally to all counties.⁵

Ford and Waxman explain that the McNitt Act of 1931⁶ and the Horton Act of 1932⁷ were to "facilitate the consolidation of the county and township road systems, and to assist the local units in meeting payments of principal and interest on highway debt."⁸ Under the McNitt Act the township roads were consolidated with the county road system at the rate of one-fifth of the total township mileage annually during the five years, 1932 to 1936. The act provided aid to counties in the amount of \$2,000,000 in 1932 and increasing by \$500,000 each year to a total annual amount of \$4,000,000 in 1936, and \$4,000,000 annually thereafter. The Horton Act allocated the entire proceeds of the weight tax and \$2,550,000 of the gasoline tax to the counties. Of this amount, the Horton Act allocated fifty per cent to county roads, and the other

¹Ibid., 1941, No. 162, sec. 7 (a).

²Ibid., Extra sess., 1932, No. 41.

³Ibid., 1925, No. 2, sec. 2.

⁴Ibid., 1927, No. 150, sec. 2.

⁵Robert S. Ford and Albert Waxman, Financing Government in Michigan (Ann Arbor: University of Michigan Press, 1942. Michigan Governmental Studies, No. 9), p. 84.

⁶Public Acts of Michigan, 1931, No. 130.

⁷Ibid., Extra sess., 1932, No. 41.

⁸Ford and Waxman, op. cit., p. 85.

fifty per cent for the following specific purposes in the following order of priority:

1. Covert road debt relief.
2. County road debt relief.
3. Township road debt relief.
4. Of any remaining funds, an amount up to 50 per cent may be allotted for maintenance of additional McNitt roads. If the County Board of Supervisors fails to vote funds for such roads, the funds become available in part for city streets according to priority five.
5. The balance, if any, is to be divided between the counties and the villages on a pro rata basis according to population.¹

From 1905 to 1935, the state levied a tax on property for highways. The first act² provided for rewards to local units which, on their own initiative, constructed or improved roads or highways. Ford and Waxman³ report that in 1930, the property tax levy for highways was \$67,000,000, but the levy was reduced to \$5,100,000 in 1935, the year the state tax on property was abandoned. This reduction of the property tax levy for highways and its elimination after 1935, probably account for an increase to local units from the weight and gasoline taxes, and may account in part for the earmarking of highway funds in 1938, explained in a later paragraph of this section.

Data in Table 39 show the amount of revenue derived from the weight tax and the gasoline tax during the period 1929 to 1940, the amount which was retained by the state, and the amount which was available to local units, each year.

These data reveal that an amount of approximately \$41,500,000 was collected from these sources in 1929, but that over \$31,000,000 went to the state and \$9,391,386 to local units. In 1940, the total returns from these taxes amounted to \$52,391,577, of which \$24,685,265 went to the state and \$27,706,312 to local units. In 1940, the state retained approximately seven million dollars less than in 1929, but local units secured over eighteen million dollars more.

¹Ibid.

²Public Acts of Michigan, 1931, No. 130.

³Ford and Waxman, op. cit., p. 82

⁴Ibid., pp. 159-66.

TABLE 39

ALLOCATION OF REVENUE FROM WEIGHT AND GASOLINE
TAXES TO THE STATE AND TO LOCAL UNITS
OF GOVERNMENT, FROM 1929 TO 1940

Amount of Revenue				
Date	From Automobile Registration (Weight Tax)		From Gasoline Tax	
	Retained by State	Available to Local Units	Retained by State	Available to Local Units
1929	\$ 15,621,527	\$ 6,000,000	\$ 16,437,136	\$ 3,391,486
1930	16,040,919	6,000,000	19,027,471	2,797,406
1931	14,190,447	6,000,000	17,083,064	4,622,880
1932	12,792,129	6,000,000	14,525,486	7,046,743
1933	549,578	13,579,826	18,128,226	1,250,000
1934	.....	15,741,210	17,513,745	2,758,741
1935	.....	15,526,190	13,595,913	7,898,330
1936	.....	17,452,563	17,065,707	6,743,116
1937	.....	19,559,611	21,339,078	6,550,000
1938	.....	18,295,805	22,130,318	6,550,000
1939	34,762	19,878,590	21,826,412	6,550,000
1940	51,122	21,156,312	24,634,143	6,550,000

The returns from these taxes grew to such magnitude as to rival the collections from the retail sales tax. In fact, the returns from the weight and gasoline taxes exceeded the returns from the sales tax during the first year the latter was collected, 1934.

Then there began to be concern in the state lest collections from these taxes be diverted into channels other than construction and maintenance of highways. So much concern was felt, especially by those affiliated with the highway departments as well as a considerable number of the general public, that a proposal to earmark these funds was presented to the electorate at the general election on November 8, 1938. At this election the following amendment was added to the state constitution:

All taxes imposed directly or indirectly upon gasoline and like fuel sold or used to propel motor vehicles upon highways of this state, and on all motor vehicles registered in the state, shall, after the payment of the necessary expenses of collection thereof, be used exclusively for highway purposes, including the payment of public debts incurred therefor, and shall not be diverted nor appropriated to any other purpose; provided, the legislature may provide by law a method of licensing, registering and transferring motor vehicles and their certificates of title, and licensing and regulating motor vehicle dealers and operators; and may prescribe charges

sufficient to pay for the enforcement thereof. The provisions of this section shall not apply to the general sales tax, the use tax, the fees and taxes collected under the auto theft and operators' and chauffeurs' license laws which are used for regulatory purposes; the application fees and mileage fees appropriated to the Michigan Public Utilities Commission by Act No. 254 of 1933; the franchise or privilege fees payable generally by corporations organized for profit; nor to ad valorem taxes payable generally by manufacturers, refiners, importers, storage companies, and wholesale distributors on gasoline and like fuels held in stock or bond, and by manufacturers and dealers on motor vehicles in stock or bond.¹

This amendment did not change the legal apportionment of the funds, except to provide for the payment of the necessary expenses of the collection of the taxes, but it definitely earmarked the funds for highway purposes.

No aid from the weight and gasoline taxes was sent to cities until 1933. The amount returned to fourteen cities² for seven years, 1933 to 1939, is given in Table 40. Data on the returns were available for only those cities having 30,000 population or over.

TABLE 40

AMOUNT OF WEIGHT AND GASOLINE TAXES RETURNED BY
THE STATE OF MICHIGAN TO FOURTEEN CITIES,
1933-1939

Year	15 Mill Cities		Non-15 Mill Cities	
	Amount Returned to Seven Cities	Amount Per 1000 Population in Seven Cities	Amount Returned to Seven Cities	Amount Per 1000 Population in Seven Cities
1933	\$ 131,672.95	\$ 425.85	\$ 245,188.40	\$ 617.97
1934	256,963.75	421.25	333,961.03	834.90
1935	381,891.63	626.05	399,395.13	998.73
1936	594,898.50	975.24	576,967.93	1,442.41
1937	725,909.67	1,190.01	660,194.21	1,650.48
1938	819,450.69	1,343.36	588,245.03	1,470.61
1939	915,295.08	1,500.48	654,099.43	1,635.24
Total	\$3,826,082.27	\$ 6,272.26	\$3,458,151.16	\$ 8,645.38

The total amount distributed by the state to the fourteen cities increased from about \$377,000 in 1933 to over \$1,500,000

¹Constitution of Michigan, Article X, sec. 22.

²Fifteen mill cities: Battle Creek, Flint, Grand Rapids, Jackson, Muskegon, Pontiac, and Saginaw; non-fifteen mill cities: Bay City, Dearborn, Hamtramck, Highland Park, Kalamazoo, Lansing, and Port Huron.

in 1939. When considering the amount of state aid per one thousand population, it will be noted that aid in the non-fifteen mill cities was considerably higher than in the fifteen mill cities.

An explanation of this situation may be found in a consideration of the allocation. Under the terms of the act, the first priority is to be used for the cancellation of assessments for Covert roads. Covert roads are roads built by special assessment under Act No. 59 of the Public Acts of 1915 as amended by Act No. 221 of the Public Acts of 1933. In some counties the payment of bonds on these roads is so great that no funds are left to be allocated to the municipalities. In such instances, there would be no or little returns from the weight and gasoline taxes to the municipal government. Such is the case in Genesee and Oakland counties. If these counties had no bonded indebtedness for such roads, the cities would profit greatly from the weight and gasoline taxes. Schimmel describes this situation in the following statements:

Flint and Pontiac are located in counties which have large outstanding road debts, which debts have prior claim on weight and gas tax revenues. Flint is receiving about one-quarter of the amount it will eventually be entitled to when the road debt of Genesee County has been paid. In 1937 Flint received \$78,000 from weight and gas tax revenues, but would have received \$322,000 if the county had been debt free.

In the case of the City of Pontiac, the situation is much worse. Pontiac is located in Oakland County and the outstanding road debt of Oakland County is so large that it absorbs all of the weight and gasoline tax revenue. Pontiac received no income from this source in the year 1937, but would have received \$150,000 if Oakland County were debt free.¹

It would appear from these statements that a city profits by the fact that the county board of supervisors does not carry on an extensive road building program for which special assessments must be made. While these road debts are not against the property tax, the payment of the debts prevents the municipalities in such counties from receiving any benefits from the weight and gasoline taxes. In cities where the municipal tax rates are limited, as is the case in Flint and Pontiac and the other fifteen mill cities, loss in weight and gasoline tax revenues would be more serious to municipal financing than in cities where tax rates were not under the over-all limitation.

¹Schimmel, op. cit., pp. 12-13.

Highway maintenance and construction.--In addition to the weight and gasoline taxes returned to the municipalities through the county highway offices, the state, under the Horton Act, reimburses cities for the construction and maintenance of trunk highways within the city limits.¹ This is mentioned earlier under priority five. Apportionments are made on a pro rata basis according to population for the following purposes and in the following order:

(a) The payment of the city's or village's share of state trunk line and federal aid road maintenance costs.

(b) Payment of obligations of the city or village on highway projects undertaken by it jointly with the state highway commissioner, under the provisions of, by contract or agreements authorized by, or approved by the Dykstra act.

(c) The payment of bonds, interest on bonds or other obligations (including any sinking fund requirements thereon), issued or incurred by the city or village for the widening, opening or improvement of any street or highway or for bridge or grade separations within such municipality.

(d) The payment or refunding to the taxpayers, without interest, of all or any portion of the special assessment or assessments for the cost of opening, widening or improving any state trunk line highway within any incorporated city or village, which cost was levied as a special assessment or assessments prior to this amendatory act.

(e) The improvement, repair or maintenance of streets and highways or the construction and maintenance of bridges or grade separations, or general street or highway purposes.²

The amount of state aid for highway maintenance to the fourteen municipalities is shown in Table 41.

An analysis of the amount received per one thousand population shows that this amount is practically the same in both groups of cities. The total amount has not materially increased since 1935, although it was considerably lower in 1936-37.

The total amount of state aid for construction purposes for the thirteen cities is shown in Table 42.

The city of Port Huron stands out as a city having received an abnormal amount of state aid for this purpose. During the interval from July 1, 1933, to May 1, 1940, that city received an amount equal to more than thirty-five thousand dollars per thousand population, while the city of Muskegon received only one hundred seventy dollars per thousand population during the same interval of time. Saginaw received the second highest amount

¹Public Acts of Michigan, 1933, No. 81, sec. 19 (d) (5).

²Ibid., sec. 19 (d) (5-a,b,c,d,e).

TABLE 41

AMOUNT OF STATE AID FOR HIGHWAY MAINTENANCE
PAID TO FOURTEEN CITIES DURING THE
FIVE YEARS, 1935 TO 1939*

	Seven 15 Mill Cities		Seven Non-15 Mill Cities	
	Amount	Amount Per 1000 Population	Amount	Amount Per 1000 Population
1935	\$ 79,162.51	\$ 129.77	\$ 47,257.96	\$ 118.14
1936	57,590.15	94.41	36,262.51	90.65
1937	53,535.15	87.76	23,621.66	59.65
1938	62,231.81	102.02	51,621.97	129.15
1939	86,805.22	142.30	52,053.87	130.13
Total	\$ 339,324.81	\$ 556.26	\$ 210,817.97	\$ 527.04

*Cities listed on p. 262, n. 2.

according to the population.

There is little evidence that the amount of aid for construction and maintenance to cities is affected in any way by the property limitation. The non-fifteen mill cities have one advantage in being able to vote bonds and special assessments, since neither their tax rates for operation nor for debt service are under the strict provisions of the fifteen mill limitation.

TABLE 42

AMOUNT RETURNED TO THIRTEEN CITIES FOR HIGHWAY
CONSTRUCTION PURPOSES FOR THE PERIOD
JULY 1, 1933 - MAY 1, 1940

Seven 15 Mill Cities			Six Non-15 Mill Cities		
Cities	Amount	Amount Per 1000 Population	Cities	Amount	Amount Per 1000 Population
B. Creek	\$218,470	\$4,965	Ann Arbor	\$ 65,755	\$2,191
Grd. Rapids	283,658	1,613	Kalamazoo	549,586	9,992
Flint	725,223	4,648	Bay City	232,623	4,949
Jackson	371,217	6,749	Lansing	128,869	1,652
Muskegon	7,000	170	Port Huron	1,094,428	35,304
Saginaw	843,714	10,416	Highl'd Pk.	672,609	6,616
Pontiac	223,859	3,443			
Total	\$2,673,144	\$4,375	Total	\$3,094,529	\$8,995

Aid for General Welfare

State Aid

Aid for general welfare purposes since 1933-34 has provided one of the most significant changes in local and state financing that has ever occurred in the history of Michigan. That state aid to welfare has affected state aid to schools may be inferred from the provisions of the General Sales Tax Act enacted in 1933. This act made the following provisions:

Sec. 25 (b) To the state emergency welfare fund for the fiscal year ending June thirty, nineteen hundred thirty-four, the sum of twelve million dollars.

(f) If there shall be any excess in the sales tax fund during either of the fiscal years ending June thirty, nineteen hundred thirty-five, after the foregoing credits and transfers are deducted, such excess shall be deposited in a special fund to be disbursed only on appropriation by the legislature.¹

During the same session of the legislature, the Thatcher-Sias Act was enacted which appropriated a sum for the support of public schools as follows:

Sec. 1. There is hereby appropriated for the fiscal year ending June thirty, nineteen hundred thirty-four, and for each fiscal year thereafter, from the special retail sales tax fund, not to exceed the sum of fifteen million dollars for aid in the support of the public schools of this state.²

The foregoing provisions of the retail sales tax act reveal that welfare aid was a very significant part of the state financial program, and that such aid was definitely appropriated prior to the appropriation of any funds which might be used for the support of public schools under section 1 of Act 236. It should be mentioned, however, that allocations for the support of the state government,³ and to the University of Michigan,⁴ and the Michigan State College of Agriculture and Applied Science,⁵ were likewise appropriated under the retail sales tax act as having priority over the public schools.

¹Public Acts of Michigan, 1933, No. 167, sec. 25 (b), (f).

²Ibid., No. 236, sec. 1.

³Ibid., No. 167, sec. 25 (c).

⁴Ibid., sec. 25, (d).

⁵Ibid., sec. 25 (e).

Most of the data concerning state and federal aid for welfare were taken from the reports of the Department of Social Welfare for the State of Michigan.¹ One of these reports gives the amount of federal funds disbursed to counties for general welfare aid under the Reconstruction Finance Corporation and the Emergency Relief Administration for the years 1932 to 1936. The other report gives the amount of state funds disbursed to counties for general welfare for the years 1933 to 1939.

In the main, state and federal funds for general welfare purposes have been sent to county welfare offices, from which disbursements were made to the county at large, with no definite records being kept of the amount allocated to cities. For the two years, 1932 to 1934, federal funds were sent directly to the cities, but because all other welfare aid is administered on the county basis, federal funds were subsequently sent directly to counties. The accounting of welfare funds for these two years was left with the county as a unit. For this reason, the state and federal aid will be reported separately for the seventeen counties in whose boundaries are the twenty-two cities included in this part of the study.²

Data in Table 43 show the total amount of state aid disbursed for general welfare purposes from 1933 to 1939 to the seventeen counties in which the twenty-two cities are located. The eight counties including the fifteen mill cities are Calhoun, Genesee, Ionia(2), Jackson, Kent, Muskegon(3), Oakland and Saginaw. The nine counties including the non-fifteen mill cities are Barry, Bay, Berrien, Delta, Ingham, Kalamazoo, St. Clair, Washtenaw and Wayne(3). The figures in parentheses refer to the number of cities in the county which are included in the study.

Because of the fact that in these counties are included the metropolitan area of Detroit and several small cities and rural areas, it was necessary to distribute the state aid on some population basis. The method adopted was to estimate state aid on the basis of the total school census in these counties. While the school census includes only the population between the ages of five and twenty, it is much more accurate than the total

¹Reports from George F. Granger, Deputy Director, Department of Social Welfare, State of Michigan, Lansing, Michigan, May 20, 1940--"State Funds Disbursed to Counties for General Relief," and "Federal Funds Disbursed to Counties for General Relief."

²Cities listed on p. 297, Table 50 (A).

TABLE 43

STATE AID FOR GENERAL WELFARE TO SEVENTEEN COUNTIES
IN THE SIX YEARS, 1933 TO 1939

Year	Eight Counties Including the 15 Mill Cities		Nine Counties Including the Non-15 Mill Cities	
	Amount	Amount Per Census Child	Amount	Amount Per Census Child
1933-34	\$2,426,477	\$ 7.94	\$5,796,318	\$ 8.96
1934-35	2,779,900	9.39	5,983,400	8.98
1935-36	2,658,498	8.99	5,158,300	7.64
1936-37	3,877,807	13.55	6,522,302	9.75
1937-38	5,086,961	14.98	8,565,703	12.83
1938-39	4,136,178	13.27	8,434,845	12.92
Total	\$20,918,962		\$39,707,639	

population figures because it is taken each year. Any total population figures would be merely an estimate.

When considering the total amount of state aid for general welfare in these counties, the data in Table 43 reveal that for five of the six years reported, the counties including the fifteen mill cities received more aid per census child than the other counties. More important, however, is the fact that state aid for general welfare in all of these counties was increased by approximately fifty per cent over the six-year period. During the years 1933-39, the total state aid for general welfare increased from approximately eleven million dollars to slightly more than sixteen million dollars. These twenty-two cities received two-thirds to three-fourths of the total state expenditures for welfare. The drop following the peak year, 1937-38, reflected a change in state administration toward a policy of "pay as you go."

There is abundant evidence to show that state aid for general welfare not only has increased, but that aid for public schools and aid for welfare are considered by the typical individual in Michigan as being in competition with each other. There is little thought among the public in Michigan that aid for welfare is in competition with aid for the higher institutions of learning, or aid to state departments. State and federal welfare aid to the counties and municipalities greatly reduced the local burden during and immediately following the most serious part of the depression.

Federal Aid for General Welfare

Federal aid for general welfare under the Reconstruction Finance Corporation and Emergency Relief Administration has been sent to the counties, with the exception of the years 1932 to 1934, when a portion of it was sent directly to the cities. Following 1936, federal aid for general welfare purposes was withdrawn. There still remain federal support for aid to the blind, and aid for dependent children, but such funds are sent to the state, which in turn allocates the money to the counties. Consequently, no data concerning federal aid for any of these purposes has been available since 1936.

Information in Table 44 gives the total federal aid for general welfare to the seventeen counties including the twenty-two cities for the four years 1932-36.

TABLE 44

FEDERAL AID FOR GENERAL WELFARE TO SEVENTEEN COUNTIES
FOR THE FOUR YEARS, 1932 TO 1936

	Eight Counties Including the 15 Mill Cities		Nine Counties Including the Non-15 Mill Cities	
	Amount	Amount Per Census Child	Amount	Amount Per Census Child
1932-33	\$ 513,628	\$ 2.19	\$ 2,081,783	\$ 3.29
1933-34	4,534,064	21.24	14,791,949	23.25
1934-35	9,665,853	40.36	25,240,113	39.23
1935-36	3,456,932	14.45	9,796,550	15.04

The federal aid, like state aid for general welfare, has been estimated on the basis of the total school census. An examination of the data in Table 44 will show how closely these two groups of counties compare in aid from the federal government. This aid in the year 1934-35 in these seventeen counties amounted to approximately thirty-five million dollars. This was by far the peak year, and without question greatly relieved the pressure on local municipal budgets in providing for general welfare.

The study of county budgets is not a part of this investigation, but attention is called to the fact that a substantial part of every county budget raised by local taxes on property is dispensed for general welfare purposes. It is reported that in most instances the portion of the county budgets allocated to

general welfare has not materially changed during the years covered in the investigation. In some instances, there have been increases, in other instances there have been decreases, and in some cases actual elimination of general welfare items from the general county budget. Some of the items in county budgets are: medical, juvenile maintenance, hospitalization, welfare, maintenance of poor, poor commission, poor fund, aid to widows and contagious diseases.

Returns from Liquor Licenses

The statutes require that eighty-five per cent of the amount received from the licensing of those engaged in the sale of liquor shall be returned to the local governmental unit in which the license was issued.¹ The liquor license is a source of revenue to replace, in part, the loss in the property tax resulting from the limitation. Data have been collected on the amount of returns to twenty-two cities, half of them being fifteen mill cities and half of them are non-fifteen mill cities.² This information was received directly from the office of the Liquor Control Commission, Lansing,³ and reports all returns to these cities from January 1, 1934, the first year the act was in effect, to November 1, 1940.

The information received is arranged in Table 45 to show the amounts received each year in each group of cities. The data indicate that the amount returned per thousand population was higher each year in the non-fifteen mill cities. The amount of increase in 1939 over 1934 in the non-fifteen mill cities was sixty-two per cent. The increase during the same length of time in the fifteen mill cities was fifty-two per cent. During these six years and ten months the fifteen mill cities have received \$1,202,000.00, slightly more than the non-fifteen mill cities received. In 1934 the non-fifteen mill cities received twenty-nine per cent more per thousand population and in 1939 they received thirty-eight per cent more per thousand population than the fifteen mill cities.

¹Public Acts of Michigan, 1933, No. 64.

²Cities listed on p. 297, Table 50 (A).

³Report from C. A. Parrish, Director, License and Enforcement Bureau, Michigan Liquor Control Commission, December 27,

In addition to the license required to be paid by dealers, the statutes provide that a tax of fifty cents per gallon shall be assessed on the manufacture of wine from grapes raised within the state,¹ and an additional tax of ten cents per gallon on wine manufactured from grapes imported into the state.² The statutes further provide that a tax of \$1.25 per barrel be paid on the manufacture of beer.³ These taxes are collected from the manufacturer and paid into the general fund of the state. They represent replacement taxes resulting from limiting the property tax rate.

TABLE 45

RETURNS FROM LIQUOR LICENSES TO TWENTY-TWO CITIES
FROM JANUARY 1, 1934 TO NOVEMBER 1, 1940

Year	Eleven 15 Mill Cities		Eleven Non-15 Mill Cities	
	Amount	Amount Per 1000 Population	Amount	Amount Per 1000 Population
1934	\$135,326.20	\$210.46	\$117,789.95	\$272.66
1935	141,470.81	220.01	152,821.95	353.75
1936	144,142.55	224.17	163,184.69	377.74
1937	175,685.83	276.34	182,178.76	421.75
1938	207,620.68	322.89	189,300.50	437.50
1939	206,116.71	320.54	191,310.77	442.84
1940	191,643.12	298.04	187,352.19	433.68
Total	\$1,202,005.90	\$1,872.45	\$1,183,938.81	\$2,739.92

In addition to the taxes on beer and wine, the state maintains, under the supervision of the Liquor Control Commission, state liquor stores and other designated places for the handling and sale of alcoholic liquors. The Commission decides upon the price which shall be charged for the liquor and through its agent purchases the liquor which the state sells in its stores. The establishment of this Commission was made possible under the provisions of a constitutional amendment passed by vote of the people by initiative petition on November 8, 1932.

1940--"Report of Liquor Control Commission on Amount Returned to 22 Cities on Liquor Licenses."

¹Public Acts of Michigan, 1937, No. 281, sec. 16a.

²Ibid., sec. 16b.

³Ibid., sec. 40.

The legislature may be law establish a liquor control commission, who, subject to statutory limitations, shall exercise complete control of the alcoholic beverage traffic within the state, including the retail sales thereof; and the legislature may also provide for an excise tax on such sales; Provided, however, that neither the legislature nor such commission may authorize the manufacture or sale of alcoholic beverages in any county in which the electors thereof, by a majority vote, shall prohibit the same.¹

The Commission was established and given its powers under an Act passed by the 1933 legislature.²

To indicate the magnitude of the state income from the liquor tax, it is reported by Phillips that for 1937-38 this amounted to \$47,600,000.00, which was twenty-four per cent of the total state income.³ There is no question but that the tax on the manufacture and sale of liquor in Michigan has provided a large increase in the general fund, which in turn has made possible more state aid to public schools.

Personnel Data

Strictly reliable data on municipal personnel were not available from all of the cities for all years included in the investigation. The most reliable information was obtainable in the Municipal Year Book editions⁴ for seven fifteen mill cities and seven non-fifteen mill cities.⁵ Since each Municipal Year Book edition reports the information for the previous year, the data collected are for the years 1934 to 1938. It is regrettable that no information was available prior to 1934, but since that was the first year that any city had operated under the fifteen mill tax limit, different effects, if any, should have begun to be evident at that time. Reference to the data tabulated in Table 46 will show that the total number of municipal employees per thousand population was considerably higher in the non-fifteen mill cities during each year of this five-year period than in the

¹Constitution of Michigan, Article XVI, sec. 11.

²Public Acts of Michigan, 1933, No. 64.

³A. J. Phillips, Public School Finance in Michigan, Bulletin from Michigan Education Association, Lansing, Michigan, Legislative Help No. 3 (January, 1940), p. 6.

⁴Editions for the years 1935 through 1939.

⁵Cities listed on p. 262, n. 2.

fifteen mill cities. Cities in each group had shown a slight increase in the number of municipal employees in 1938 over the number in 1934. This increase in the non-fifteen mill cities was about twelve per cent, whereas in the fifteen mill cities it was about seven per cent.

TABLE 46

TOTAL NUMBER OF MUNICIPAL EMPLOYEES IN FOURTEEN CITIES^a
AND NUMBER PER ONE THOUSAND POPULATION FOR THE
FIVE-YEAR PERIOD, 1934 TO 1938

Year	Seven 15 Mill Cities		Seven Non-15 Mill Cities	
	Total Number Employees	Number Per 1000 Population	Total Number Employees	Number Per 1000 Population
1934	3740 ^b	6.59 ^b	3390	9.16
1935	3768	6.16	3539	9.56
1936	4604	7.53	3263	8.82
1937	4321	7.07	3424	9.25
1938	3773 ^b	7.07 ^b	3832	10.33
Average Number	4041.2	6.81	3489.6	9.43

^aSame cities referred to in Table 41.

^bBattle Creek omitted.

A considerable number of municipal employees are in either the police department or the fire department. Reports for this five-year period, 1934 to 1938, show that there were, on the average, in the fifteen mill cities 743 employees in the fire department, and 556 in the fire department in the non-fifteen mill cities. This means that for every thousand persons in the fifteen mill cities, there were 1.2 employees in the fire department, and 1.5 employees in the fire department in the non-fifteen mill cities for each thousand persons. During the same five years, the information shows that for every thousand persons in the fifteen mill cities, there was one policeman, and for every thousand persons in the non-fifteen mill cities there were slightly more than 1.5 policemen. It appears from this small amount of evidence that the non-fifteen mill cities maintained during these five years, on the average, larger forces according to population in their police and fire departments, than the fifteen mill cities.

This situation could be a result of the depression or of the property tax limitation. From the total evidence available, it appears that both the depression and the limitation of the property tax contributed to this result.

Retirement Systems for City Employees

No city reports having a retirement system in operation for any of its employees except members of the fire and police departments. In 1934, Saginaw, Flint, Grand Rapids and Jackson, four fifteen mill cities, report that fifty, thirty-three, forty and thirty-one per cent, respectively, of their employees were under their retirement systems. In six non-fifteen mill cities in 1934, sixty-four, forty, forty, thirty, thirty and twenty-one per cent, respectively, of their employees were affected by a retirement system. These cities were Kalamazoo, Dearborn, Port Huron, Bay City, Hamtramck, and Highland Park. Lansing, Muskegon and Pontiac report that no retirement systems were in effect for municipal employees in their cities. Battle Creek made no report. There is little evidence that retirement systems were given any impetus as a result of the property tax limitation.

Organizations of Employees

The Municipal Year Book for 1938 reports information on the organizations of municipal employees.¹ Between 1932 and 1937 six of the fifteen mill cities report that twelve employee organizations had been established, with an average membership of one hundred and seventeen.² In six non-fifteen mill cities during the same time, six employee organizations had been established with an average membership in 1937 of eighty.³

It is noteworthy that all of these organizations in the twelve cities have been formed since 1932. In the fifteen mill cities, seven employee organizations have been established since the city had voted to limit its expenditures under the fifteen mill amendment. It appears from the evidence that the establish-

¹The Municipal Year Book, 1938 (Chicago: International City Managers' Association), pp. 619.

²Battle Creek, Flint, Grand Rapids, Muskegon, Pontiac and Saginaw.

³Dearborn, Hamtramck, Highland Park, Kalamazoo, Lansing and Port Huron.

ment of employee organizations has been encouraged by the fifteen mill tax limit, and especially in some of the cities that have voted to come under the limit.

Salaries of Municipal Employees

For the years 1934 to 1938, data were available in the Municipal Year Book editions on the total salary and wage paid to all municipal employees, with the exception of 1935. This information is classified in Table 47, showing the total salary and wage of municipal employees in the same fourteen cities, and the amount of salary paid per thousand population.

TABLE 47

TOTAL SALARY AND WAGE OF ALL EMPLOYEES IN FOURTEEN
CITIES AND AMOUNT PAID PER ONE THOUSAND
POPULATION, 1934 TO 1938

Year	15 Mill Cities		Non-15 Mill Cities	
	Total Salary and Wage	Amount per 1000 Population	Total Salary and Wage	Amount per 1000 Population
1934	\$3,725,855.00 ^a	\$7,422.02 ^a	\$4,090,830.00	\$11,056.29
1935	Not available	Not available	Not available	Not available
1936	4,820,394.00	7,889.35	5,191,585.00	14,031.31
1937	6,260,274.00	10,245.95	5,883,717.00	15,901.67
1938	5,117,046.00 ^b	9,007.14 ^b	6,262,781.00	16,926.43
Average Number	\$4,980,892.25	\$8,259.95	\$5,357,228.25	\$14,478.99

^aPontiac and Battle Creek omitted.

^bBattle Creek omitted.

This information reveals that the total amount paid in salaries to municipal employees in the cities in the non-fifteen mill group per thousand population was considerably greater than in the fifteen mill group. The difference in salaries paid is greater than the difference in the number of employees in the two groups of cities, which reveals that the salaries of municipal employees in the non-fifteen mill cities are, on the average, on a higher scale than in the fifteen mill cities.

The seven cities paying the highest maximum salaries to firemen in 1938 were from highest to lowest: Hamtramck, Dearborn, Highland Park, Lansing, Pontiac, Flint, and Port Huron. Of these

seven cities, five are non-fifteen mill cities. They are Hamtramck, Dearborn, Highland Park, Lansing, and Port Huron. Of the seven cities paying lowest beginning salaries in 1938, the two lowest were Kalamazoo and Port Huron. The other five were fifteen mill cities, Saginaw, Jackson, Grand Rapids, Flint and Muskegon. This means that, on the average, the beginning salaries of firemen in fifteen mill cities are lower than in the non-fifteen mill cities and, on the average, the maximum salaries which may be received by firemen are higher in the non-fifteen mill cities. Three of the non-fifteen mill cities which paid the highest maximum salaries and the highest beginning salaries are in Wayne County near Detroit. They are Hamtramck, Dearborn and Highland Park. The one city among the fourteen that paid the lowest beginning salary in 1938 was Kalamazoo, a non-fifteen mill city.

Practically the same situation is true in the police department. The salaries are very similar to those of firemen except that the beginning salary is slightly higher. Of the seven lowest beginning salaries paid in the fourteen cities, four were in fifteen mill and three were in non-fifteen mill cities. The four fifteen mill cities are: Saginaw, Battle Creek, Grand Rapids, and Muskegon. The three non-fifteen mill cities are: Kalamazoo, Bay City, and Port Huron. Beginning salaries in Kalamazoo were the lowest in all fourteen cities. Of the seven cities paying the highest maximum salaries, four were non-fifteen mill and three were fifteen mill cities. The three which paid the highest maximum salaries were Hamtramck, Dearborn, and Highland Park, non-fifteen mill cities.

While the type of industrial pursuit followed in a city appears to bear some relation to the maximum and beginning salaries of municipal employees, the evidence clearly shows that they are both higher in the non-fifteen mill cities.

The 1935 Municipal Year Book contains information on the amount of reduction in salary and wage of the city employees made on or before 1934 on the basis of the 1930 salaries.¹ Between 1930 and 1934 the average reduction made in the salaries of municipal employees in the seven fifteen mill cities was 27.2 per cent and in the seven non-fifteen mill cities, 23.0 per cent. The highest per cent reduction reported in the fifteen mill group was thirty, the lowest was twenty and the median was thirty. In the

¹The Municipal Year Book, 1935, pp. 204-08.

non-fifteen mill cities the highest reduction reported was forty per cent, the lowest fifteen, and the median nineteen per cent.

By 1934, four of the fifteen mill cities, Flint, Grand Rapids, Saginaw, and Muskegon report that none of the reductions had been restored in the salaries of municipal employees; two, Pontiac and Jackson, report that a part of the salaries had been restored to all employees, and there was no report from Battle Creek, the other fifteen mill city.

Of the seven non-fifteen mill cities, Port Huron reported that no part of the salary reduction made since 1930 had been restored by 1934; five cities, Dearborn, Hamtramck, Highland Park, Kalamazoo and Lansing, reported that a part of the reduction had been restored to all employees, while Bay City reported that a part of the reduction had been restored to firemen only.

The evidence indicates that both the total number of employees and the salaries of employees have been adversely affected by the tax limit and the depression. It is difficult to know which had the greater effect.

Types of Government

In no city has the type of government changed since 1930. Six of the fifteen mill cities have the manager type of government and one has the commission type. Four of the non-fifteen mill cities have the mayor-council type of government, two have the manager type and one the commission form of government. In no city has the fiscal relation of the municipal government and the school district been changed since 1930.

Fiscal Relationship of Municipalities and School Districts

No school district included in this investigation reported fiscal dependence upon the municipal government. Several examples were reported of the joint support by the municipalities and the school districts of certain functions, such as public recreation. It is, however, apparent to the writer that in a closer financial relationship lies one of the steps which can be taken to provide relief for the school districts operating in non-fifteen mill cities. With the pressure that may come in the future when the state legislature may not be able to find funds sufficient to appropriate revenue for the support of the public schools and the

other functions of state government, and with a large majority of the cities still unlimited in the amount of local taxes which they may raise as far as the constitutional limit is concerned, a closer fiscal relationship of the school and the municipality might place the school in a more favored position than it now holds.

The City of Detroit is an example of such a situation in which the amount of support of the public schools is determined, in the final analysis, by the city commission. The salaries of teachers and other employees of the City of Detroit during the depression years have remained consistently higher than in the average city included in this investigation.

A move to bring about such a relationship on the part of the other cities in Michigan might result in the loss of certain control of the means of support by the boards of education, as has already taken place through an increased state support, but the transfer of the support of such functions as the public library, public recreation, medical and social workers, under the city budget already has been under discussion in some of the Michigan cities where these functions are now supported wholly or in part by the public schools.

Another major proposition facing the schools at present is the erection of new buildings or the replacement of buildings. In a situation where the municipal authorities had the approval of the school budget as one of their functions, there might be worked out a better plan of financing building programs. This move may never be taken by any of the schools of Michigan, and is not recommended by the majority of the educators, but it is a possibility for relief from the tax limit in non-fifteen mill cities if sufficient relief cannot otherwise be found.

Summary

An examination of the data on municipalities appears to warrant the following statements:

1. The possibility of relief from a portion of municipal taxation under the fifteen mill limitation, resulted in elections in nineteen cities for the purpose of voting on the proposition to amend their charters to place their municipal tax rates under the limit. In eleven of these cities, the propositions were carried successfully. These elections resulted from the property tax limitation, for they would not have been possible without it.

2. The decrease in assessed valuations, from 1930 to 1932, was a factor contributing to the limit on the property tax rate.

3. Placing municipal tax rates under the over-all property tax limitation resulted in a drastic reduction of the tax rate for operation purposes.

4. The tax rate for debt service was not affected by the limitation except indirectly as the limitation may have encouraged no further reduction in assessed valuation.

5. The total property tax rate was reduced in most cities in which the rates for operation were limited.

6. The total property tax levy was reduced drastically in all cities in which municipal rates were limited during the first year the limitation was in effect. However, before 1941, in most of these cities, the levies had increased.

7. Current tax collections appear not to have been influenced very greatly by the limitation.

8. During the years following the depression, there was a distinct trend in municipalities toward placing certain municipal services on a utility basis. The evidence indicates no greater trend among the fifteen mill cities than among the non-fifteen mill cities.

9. No city, having amended its charter to place its municipal tax rate under the limit, has as yet held an election to place its rate outside the limit.

10. The amount of state aid to counties from the weight and gasoline taxes to fourteen cities increased about seven hundred per cent, from 1933 to 1939. The amount per thousand population was considerably greater in non-fifteen mill cities during each of the seven years.

11. Local governmental units share a much greater percentage of the weight and gasoline tax collections now than before the limitation was adopted. The allocation of these taxes to permit this situation resulted, in part, from the property tax limitation. In fact, no highway aid was sent to municipalities prior to 1933.

12. State aid for maintenance of state highways within the city limits increased in the fourteen cities slightly from 1935 to 1939, and the amount for highway construction increased about the same amount. The fifteen mill cities received a greater amount per thousand population for all five years, with the

exception of 1938.

13. State aid for welfare to seventeen counties increased over fifty per cent from 1933 to 1939. The amount per census child received from the state was higher in the eight counties including the fifteen mill cities for all years except 1933-34.

14. Federal aid for welfare was provided only four years, 1932-33 to 1935-36. The peak year was 1934-35. The amount per census child for each year was very much the same in both groups of cities, indicating that federal aid was distributed to these cities on a population basis.

15. Receipts from liquor licenses were reported first in 1934. This liquor act was one of the replacement measures which followed the property tax limitation. The amount distributed to twenty-two cities increased almost one hundred per cent from 1934 to 1940. For each of the seven years, the amount per thousand population in returns from liquor licenses to the non-fifteen mill cities was considerably more than in the fifteen mill cities.

16. The total number of employees in fourteen cities during the years 1934 to 1938 showed a slight increase. No reports are available before 1934. The number of employees per thousand population was higher for each of the five years in the non-fifteen mill cities.

17. Organizations of municipal employees have been started in twelve cities since 1932. The evidence indicates that the depression and the property tax limitation have created situations that have encouraged this movement. A larger percentage of fifteen mill cities reporting, have established employee organizations.

18. No salaries of municipal employees were reported prior to 1934. However, it is reported that the reduction in municipal salaries from 1930 to 1934 was about twenty-five per cent in the group of fourteen cities. The evidence shows that salaries of employees in fifteen mill cities have been lower than in non-fifteen mill cities.

CHAPTER X

SUMMARY AND CONCLUSIONS

Effects of the Over-all Property Tax Limitation

In this investigation an attempt has been made to ascertain the effects of the operation of the over-all property tax limitation upon schools and municipalities, and to discover how these effects differ in two groups of cities. One group of cities includes all those which have voted to place the municipal expenditures under the provisions of the tax limit. The other group, for a portion of this investigation, included an equal number of cities in which the municipal expenditures were not limited by the property tax limitation; and in a portion of the study, all the cities in Michigan with a population of ten thousand and above were included, with the exception of Detroit.

An analysis of the evidence appears to warrant the following statements.

1. The over-all property tax limit has resulted in a large decrease in the amount which the property tax contributes to the operation of state and local government and to the public schools.
2. It has resulted in the shifting of a greater share of the support of public schools and municipalities to the state government.
3. Responsibility for the enactment of the General Sales Act is directly traceable to the limitation of the property tax.
4. Coming at a time when tax delinquencies were high, the property tax restriction created a major crisis in the financing of public schools.
5. The primary school interest fund was materially reduced by the tax limit. Property belonging to railroads, telephone and telegraph companies and public utilities, which contribute to the primary fund, contribute less under the tax restriction.
6. The Turner Fund was repealed by the State Aid Act of

1933, consequently the repeal of the Turner Act is indirectly a result of the limitation.

7. The limitation of the property tax has brought about a greatly increased public understanding of the financing of public schools, local and state governments.

8. With more state support for schools, there has come more state supervision of the manner in which the funds may be spent. In some instances, this may be a disadvantage, and in others, it may be a distinct advantage. Among other restrictions, the present state aid act provides that none of the funds from the new state aid may be spent toward the purchase of school sites or school buildings.¹

9. The over-all tax limit has greatly discouraged school building programs. The opinion has been held in Michigan that reserve funds are illegal in school districts, and that funds for buildings could not be raised by this method. This attitude is changing and some schools are now beginning to provide their building needs by this method, but such funds must come within the fifteen mill limit.

10. The tax limit resulted in a drastic reduction in personnel salaries both in schools and municipalities.

11. The tax limitation has resulted in a decrease in school faculties and a consequent increase in teacher-load, especially in the number of pupils assigned to each teacher.

12. During the period covered by this investigation, there has been a trend at the senior high school level toward general courses.

13. The amount of supervision has been reduced in over half the school systems included in the study. Supervision of special subjects has been curtailed or eliminated most often. General supervision by supervisors and principals has been reduced but in a smaller number of schools.

14. More attention has been given by the school systems to special classes for deviate children.

15. A reduction in certain services of the schools and municipalities was made necessary by the over-all limit.

16. A shortened school term, which in the beginning resulted chiefly from the depression, is still in effect in a large number of the school districts, as a result of the limitation.

¹Public Acts of Michigan, 1935, No. 192, sec. 32.

17. The total income for public schools has been greatly reduced by the tax limit.

18. The provisions of the over-all tax limit in Michigan made possible the limiting of the municipal rates in eleven cities. Consequently, these municipal limitations are a result of the over-all limitation. Limiting municipal rates has encouraged increasing the valuation in those cities.

19. In school districts and in fifteen mill cities, unsound and unscientific budget practices have resulted from the tax limit. Whereas prior to 1932 budgets were arrived at from a list of necessary expenditures, they are now determined, in most instances, by the probable amount of money available. Budgets must be made and submitted to the county allocation board, which board has the authority to set the tax rate. If the allocation board reduces the rate, it is then necessary for the school board or the fifteen mill city to cut the budget accordingly.

Another practice which is discouraged by the tax limit is the carrying of balances of any sizable amount. If one governmental unit maintains a large balance, while the other units are operating on a small margin or a deficit, allocation boards often take this into account. In order for a taxing unit to build up a reserve fund by carrying balances, it is necessary that all the governmental units understand what is going on and approve it.

20. The property tax limitation has resulted in a broadened tax base. Some of the replacement taxes are the retail sales tax, the liquor tax, weight and gas tax, increased inheritance taxes, and tax on chain stores.

21. The tax limit has decreased the total amount spent in public schools and in fifteen mill cities. There is no evidence that such has been the case in the cities where the municipal expenditures are not under the limitation.

The total operating expenditures excluding debt service and capital outlay, in Michigan school districts in 1930-31, was approximately \$92,000,000.00, whereas in 1938-39 it had been reduced to \$80,000,000.00.¹

22. The organization of school and municipal employees into clubs, unions, and other groups has been encouraged as a result of the tax limit. All organizations established by municipal employees which were reported, were established between 1932 and 1939.

¹Phillips, op. cit., p. 14.

Comparison of the Effects of the Limitation in
Fifteen Mill and Non-Fifteen Mill Cities

In the State of Michigan it is not only important to know what have been the general effects of the tax limit on schools and municipalities, it is equally important to know what has been the relative effect of the tax limit in the two groups of cities, the "15 mill" and the "non-15 mill." The fifteen mill cities have voted to place their expenditures under the limitation. Eight of the other cities have voted on the proposition but have succeeded in defeating the issue.¹ As a matter of policy, if a city which has limited its tax rate succeeds as well as a city that does not, there is no just reason why every city should not limit its rate. In cities where the proposition has been defeated, those opposed to the proposition have asserted that there are many advantages in not restricting municipal expenditures to the rate imposed by the limitation act. It was in an attempt to throw light on this issue that the data which are here summarized have been brought together.

The effects in the two groups of cities as reflected in the data collected in this investigation are arranged in Tables 48 and 49 to show whether the results distinctly favor one group or the other, whether they slightly favor one group as against the other, or whether there is no discernible distinction. In interpreting these analyses it will be understood that a lower pupil teacher ratio, a higher valuation per census child, a higher operation tax rate, a lower teacher turnover, a longer term or a lower debt service tax rate will be considered examples of "favorable characteristics." If the number of principals or the number of schoolroom teachers have decreased less in one group than in the other, this has been considered "distinctly favorable" or "slightly favorable" depending upon the seriousness or degree of the effect.

School Systems

The financial characteristics which are revealed to be distinctly favorable to schools in non-fifteen mill cities are the tax rates for operation, total amount raised through local taxes on property for operation, and receipts from high school tuition.

¹Benton Harbor, Big Rapids, Cadillac, Kalamazoo, Lansing, Lapeer, Nashville, Owosso.

TABLE 48

COMPARATIVE EFFECTS OF TAX LIMITATION UPON PUBLIC
SCHOOLS IN TWO GROUPS OF CITIES AS MEASURED
BY CERTAIN CHARACTERISTICS

Characteristics	I	II	III	IV	V
<u>Financial</u>					
Local assessed valuation	...	x			
Defaulting on bonds	...	...	...	x	
Tax delinquency	...	...	x		
Tax rates for operation	...	...	...	...	x
Total amount raised through local taxes on property for operation purposes	...	...	...	...	x
Receipts from primary school interest fund	...	...	x		
Receipts from new state aid	...	x			
Receipts from high school tuition	...	...	...	...	x
Vocational aid	...	...	x		
Total available for operation purposes	...	...	...	x	
Annual expenditures for current operation	...	...	x		
<u>Personnel</u>					
Number of classroom teachers	...	x			
Number of school principals	...	x			
Total educational staff	...	...	...	x	
Ratio of pupils to teachers	...	...	...	...	x
Teacher turnover	...	...	...	x	
Experience teachers	...	...	x		
Length of school year	...	...	x		
Average salaries of classroom teachers	...	...	...	...	x
Salary schedules	...	...	...	x	
Sick leave policy	...	...	x		
Membership in organizations	...	...	x		
Retirement systems	...	...	x		
<u>Services</u>					
Number of courses addeed or dropped					
Senior high school	...	...	...	x	
Junior high school	...	...	x		
Elementary school	...	...	x		
Offices and departments					
Kindergarten	...	...	x		
Nursery school	...	...	x		
Public library	...	...	...	x	
Public recreation programs	...	...	x		
Total	0	3	14	7	6

I. Distinctly favorable to schools in 15 mill cities.

II. Slightly favorable to schools in 15 mill cities.

III. No apparent distinction.

IV. Slightly favorable to schools in non-15 mill cities.

V. Distinctly favorable to schools in non-15 mill cities.

TABLE 49

COMPARATIVE EFFECTS OF TAX LIMITATION UPON TWO
GROUPS OF MUNICIPALITIES AS MEASURED BY
CERTAIN CHARACTERISTICS

Characteristics	I	II	III	IV	V
Assessed valuations	...	x			
Tax rates for operation	...	...	...	...	x
Tax rates for debt service	x				
Amount of tax levy	...	...	...	...	x
Tax collections	...	...	x		
Returns from weight and gasoline taxes	...	...	...	...	x
Aid for maintenance of highways	...	...	x		
Aid for highway construction	...	...	...	...	x
State aid for welfare	...	x			
Federal aid for welfare	...	...	x		
Returns on liquor licenses	...	...	...	...	x
Total number of municipal employees	...	...	...	x	
Number of employees in fire department	...	...	...	x	
Number of employees in police department	...	...	...	...	x
Total salaries of municipal employees	...	...	...	...	x
Total salaries of firemen	...	...	...	x	
Total salaries of policemen	...	...	...	x	
Retirement systems	...	...	x		
Employee organizations	...	...	x		
Total	1	2	5	4	7

- I. Distinctly favorable to 15 mill cities.
 II. Slightly favorable to 17 mill cities.
 III. No apparent distinction.
 IV. Slightly favorable to non-15 mill cities.
 V. Distinctly favorable to non-15 mill cities.

Two characteristics were found to be slightly more favorable in non-fifteen mill cities. These were the payment of bonds when due and the total amount available for operation.

The four characteristics in which there was apparently little distinction between the two groups of schools are: tax delinquency, receipts from the primary school interest fund, vocational aid, and annual current expenditures. Schools in fifteen mill cities were slightly favored in local assessed valuations and amount received in new state aid under the Thatcher-Sias and subsequent acts.

It is apparent that schools in non-fifteen mill cities were permitted to raise more funds locally, but schools in fifteen mill cities received a higher per capita amount from the state in new state aid. The only phase of state aid which was higher in non-fifteen mill cities was tuition for non-resident pupils.

The administration of the school personnel during this ten-year period brought a greater reduction in schools in non-fifteen mill cities of both principals and teachers, but the total educational staff was reduced more in schools in fifteen mill cities. The pupil-teacher ratio is significant in showing fluctuations of the number of pupils and the number of teachers. Schools in non-fifteen mill cities, on the average, show a distinctly more favorable situation with regard to this factor and with regard to teachers' salaries. The schools in non-fifteen mill cities have shown a slightly greater tendency to restore or improve salary schedules which were abandoned or reduced during the early depression years. The annual turnover of teachers was slightly higher in schools in fifteen mill cities.

Considering the length of the school year, the length of experience of teachers, sick leave policies, membership in teacher organizations, and the organization of retirement systems, there is no definite distinction which can be made between the two groups of schools. Individual systems in each group varied from the others in these items, but this could also be said of all other items in the table.

It is significant that in five of the seven characteristics listed in Table 48 under services, there was no apparent distinction on the whole between schools in the two groups of cities. The senior high schools in non-fifteen mill cities appeared to be more free to revise their curriculums. The support for public libraries was also slightly more in these schools. Otherwise,

judging from the reports received on services offered by schools, those in fifteen mill cities appear to have suffered no more under the limitation than the schools in the non-fifteen mill cities.

Among the thirty characteristics listed in Table 48 under finance, personnel, and services, fourteen of them reveal no distinction between the schools in fifteen mill and schools in non-fifteen mill cities. In four, the schools in fifteen mill cities have a slight advantage. In seven, the schools in non-fifteen mill cities have a slightly favorable position. In five characteristics, there is a decidedly favorable situation in schools in non-fifteen mill cities.

Municipalities

Eight of the characteristics appear to be distinctly favorable in non-fifteen mill cities. These are: tax rates for operation, tax rates for debt services, total amount of the tax levy, returns from the weight and gasoline taxes, aid for highway construction, returns from liquor licenses, number of employees in the police department and total salaries of municipal employees. In four characteristics, the advantage was slightly favorable to non-fifteen mill cities. These are: total number of municipal employees, number of employees in the fire department, total salaries of policemen and total salaries of firemen. In two characteristics the situation in fifteen mill cities was slightly favorable. These are assessed valuations and state aid for welfare. In the following five characteristics there appears to be no distinction between the two groups of cities: tax collections, aid for maintenance of highways, federal aid for welfare, retirement systems, and employee organizations. There is no characteristic which distinctly favors fifteen mill cities, unless it could be argued that a higher tax rate for debt service was considered favorable. There are authorities who might regard a higher debt service rate as a favorable characteristic. This position easily could be maintained if by a higher debt service rate the city were providing facilities necessary to public welfare, public health, safety, and good government; and if by maintaining a lower debt service rate it could be shown that the opposite were true.

Among the nineteen characteristics listed in Table 49, two are slightly favorable to fifteen mill cities, five show no distinction, four are slightly favorable to non-fifteen mill cities,

and eight are distinctly favorable to non-fifteen mill cities. It is apparent that a rigid limit on municipal tax rates seriously affects the services offered by the municipalities.

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APPENDIX

TABLE 50

LIST OF CITIES INCLUDED IN THE INVESTIGATION,
GIVING POPULATION FIGURES

A.	Twenty-two Cities Furnishing Major Part of Report	Population 1930 Census
Fifteen Mill Cities	Battle Creek	43,575
	Belging	4,140
	Flint	156,492
	Grand Rapids	168,592
	Ionia	6,562
	Jackson	55,187
	Muskegon	41,390
	Muskegon Heights	15,584
	North Muskegon	5,000
	Pontiac	64,928
Non-Fifteen Mill Cities	Saginaw	80,715
	Ann Arbor.....	26,944
	Bay City	47,355
	Benton Harbor	15,434
	Dearborn	50,358
	Escanaba	14,524
	Hamtramck	56,268
	Hastings	5,227
	Highland Park	52,959
	Kalamazoo	54,786
B.	Twenty-two Additional Cities Re- ferred to in Certain Chapters	Population
	Adrian	13,064
	Alpena	12,166
	Calumet	15,570
	Ecorse	12,716
	Ferndale	20,855
	Grosse Point	11,174
	Holland	14,346
	Iron Mountain	11,642
	Ironwood	14,299
	Lincoln Park	12,336
	Marquette	14,789
	Menominee	10,320
	Monroe	18,110
	Mount Clemens	13,497
	Niles	11,326
	Owosso	14,496
	River Rouge	17,314
	Royal Oak	22,904
	Sault Ste. Marie	13,755
	Traverse City	12,539
	Wyandotte	28,368
	Ypsilanti	10,143

TABLE 51
 AMOUNT OF REVENUE FROM THE RETAIL SALES TAX IN MICHIGAN, THE AMOUNT RETAINED
 BY THE STATE, AND THE AMOUNT AVAILABLE TO LOCAL UNITS, FROM 1934
 TO 1940^a

Year	Amount of Revenue from the Retail Sales Tax		
	Retained by State	Available to Local Units	Total
1934.....	\$15,727,610	\$15,573,613	\$31,361,223
1935.....	14,652,196	24,008,457	38,660,653
1936.....	15,513,667	30,128,551	45,642,218
1937.....	18,651,241	36,128,875	54,780,116
1938.....	11,391,375	41,212,328	52,603,703
1939.....	9,927,773	41,886,131	51,813,904
1940.....	25,139,068	35,234,885	60,373,953

^aFord and Waxman, op. cit., pp. 161-166.

TABLE 52

ASSESSED VALUATIONS OF TWENTY-TWO CITIES OVER
A THIRTEEN-YEAR PERIOD, 1929-1941

Year	15 Mill Cities					
	Battle Creek	Belding	Flint	Grand Rapids	Ironia	Jackson
1929....	\$70,021,000	\$3,725,000	\$204,315,000	\$273,632,000	\$6,378,000	\$88,381,000
1930....	71,767,200	3,396,000	225,371,470	274,678,717	6,378,025	90,827,060
1931....	67,563,000	3,254,160	221,355,590	265,142,917	5,996,775	88,901,360
1932....	62,291,093	3,051,870	196,913,340	243,775,021	5,040,935	84,928,695
1933....	51,750,000	2,655,000	172,085,000	189,164,000	4,647,000	68,521,000
1934....	52,391,000	2,626,000	171,119,000	185,126,000	4,497,000	67,292,000
1935....	53,696,700	2,543,920	170,305,790	184,647,123	4,505,400	66,535,220
1936....	54,926,150	2,589,140	175,063,150	185,434,823	4,458,445	66,170,970
1937....	57,576,850	2,526,410	181,057,435	189,057,435	4,508,295	67,213,920
1938....	59,376,800	2,490,920	203,032,460	192,349,160	4,483,745	67,465,320
1939....	60,736,450	2,462,000	205,583,120	191,985,310	4,542,395	68,287,370
1940....	66,851,450	2,466,680	202,394,940	191,686,875	4,449,570	67,443,600
1941....	68,106,300	2,480,450	213,658,370	192,761,385	4,464,945	68,350,535
Per Cent Change 1929-41	-2.73	-33.41	4.58	-2.92	-29.99	-22.66

TABLE 52--Continued

Year	15 Mill Cities				
	Muskegon	Muskegon Heights	North Muskegon	Pontiac	Saginaw
1929....	\$65,048,000	\$16,242,000	\$1,585,000	\$100,711,000	\$ 96,731,000
1930....	66,190,560	16,613,066	1,780,905	104,038,274	98,767,465
1931....	67,911,196	16,513,292	1,902,465	102,227,975	96,163,307
1932....	53,683,622	14,041,456	1,849,041	78,437,337	93,932,308
1933....	47,328,000	10,904,000	1,829,000	53,169,000	92,254,000
1934....	44,509,000	10,902,000	1,795,000	55,741,000	84,851,000
1935....	45,832,867	10,861,875	1,798,845	54,474,360	92,990,314
1936....	47,258,050	11,156,780	1,798,990	58,602,078	94,314,934
1937....	47,258,050	11,595,190	1,905,799	61,132,274	96,397,697
1938....	49,019,826	12,003,035	2,070,000	62,265,526	97,441,905
1939....	52,026,744	12,287,550	.....	66,871,530	97,971,707
1940....	52,458,550	12,398,025	2,212,450	72,001,535	96,610,850
1941....	52,458,550	12,725,450	2,311,525	75,180,575	101,759,828
Per Cent Change 1929-41.	-19.35	-21.03	45.83	-25.33	5.19

TABLE 52--Continued

Year	Non-15 Mill City					
	Ann Arbor	Bay City	Benton Harbor	Dearborn	Escanaba	Hamtramck
1929...	\$52,167,000	\$48,102,000	\$20,129,000	\$262,962,000	\$8,611,000	\$120,149,000
1930...	53,577,300	47,688,188	20,358,970	249,560,437	8,594,084	116,944,158
1931...	53,559,815	47,661,268	19,574,100	237,214,998	9,604,115	108,097,820
1932...	42,710,368	41,322,311	17,483,565	189,173,292	8,444,217	77,146,145
1933...	37,728,000	44,452,000	17,143,000	161,091,000	8,435,000	66,027,000
1934...	37,802,000	39,191,000	14,648,000	162,110,000	8,374,000	68,763,000
1935...	37,489,635	38,492,290	14,908,473	162,674,450	8,008,000	72,117,423
1936...	37,489,635	38,673,453	15,009,076	165,326,654	8,057,594	72,789,875
1937...	37,786,790	42,532,280	15,507,642	173,006,085	8,069,823	73,546,202
1938...	38,297,825	42,199,780	15,810,520	181,849,736	8,125,571	71,769,115
1939...	38,610,945	42,600,940	16,311,046	192,316,499	8,137,713	71,033,622
1940...	39,196,520	42,693,810	16,125,400	185,591,980	7,927,755	72,861,350
1941...	40,060,570	43,766,880	16,596,100	214,731,246	7,959,740	75,295,800
Per Cent Change 1929-41	-23.20	-9.01	-17.55	-18.34	-7.56	-27.33

TABLE 52--Continued

Year	Non-15 Mill Cities				
	Hastings	Highland Park	Kalamazoo	Lansing	Port Huron
1929.....	\$5,350,000	\$135,591,000	\$62,078,000	\$154,947,000	\$38,485,000
1930.....	5,283,158	132,744,600	82,852,625	154,947,525	38,484,779
1931.....	4,838,926	114,895,950	81,733,505	154,668,091	38,983,543
1932.....	4,454,153	91,406,650	78,853,140	123,111,376	35,891,400
1933.....	4,454,000	76,775,000	74,119,000	109,301,000	31,572,000
1934.....	4,387,536	77,745,000	71,403,000	109,370,000	31,303,000
1935.....	4,387,536	78,051,400	70,099,375	108,012,788	31,262,995
1936.....	4,338,660	79,052,350	71,078,935	108,416,614	31,345,010
1937.....	4,484,809	81,140,100	73,369,535	111,540,031	31,696,844
1938.....	4,476,124	82,092,550	73,667,385	108,597,404	32,628,820
1939.....	4,428,887	79,748,400	73,748,400	104,076,817	33,009,115
1940.....	4,546,650	79,591,867	74,256,675	102,964,853	33,512,470
1941.....	4,651,250	86,344,750	73,408,080	107,838,050	34,063,505
Per Cent Change 1929-41..	-13.06	-36.32	-10.56	-30.40	-11.46

TAX RATES FOR OPERATION AND DEBT SERVICE IN TWENTY-TWO CITIES
FOR THE THIRTEEN-YEAR PERIOD, 1929-1941

Year	15 Mill Cities											
	Battle Creek			Belding			Flint			Grand Rapids		
	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total
1929...	.....	.....	10.00	.....	.....	15.00	.....	.....	22.50	.....	.....	14.32
1930...	6.00	4.00	10.00	11.50	3.50	15.00	10.98	3.82	14.80	10.69	2.27	12.96
1931...	7.20	4.80	12.00	11.50	3.50	15.00	8.23	3.87	12.10	11.23	2.60	13.83
1932...	8.00	4.00	12.00	11.50	3.50	15.00	10.19	5.01	15.20	11.70	3.57	15.27
1933...	10.00	4.60	14.60	.....	.....	20.00	.....	.....	26.28	12.51	1.90	14.41
1934...	8.80	4.60	13.40	.....	.....	15.50	.....	.....	11.37	11.15	2.52	13.67
1935...	5.70	4.30	10.00	.....	.....	16.29	17.33	8.38	25.71	6.40	4.12	10.52
1936...	6.50	3.90	10.40	7.00	4.81	11.81	.....	.....	15.28	7.30	3.18	10.48
1937...	7.00	3.40	10.40	.....	.....	.....	6.60	5.30	11.90	7.00	3.80	10.80
1938...	7.00	3.40	10.40	6.00	5.04	11.04	6.44	4.65	11.09	7.50	3.20	10.70
1939...	6.40	3.40	9.80	5.80	5.14	10.94	6.60	4.00	10.60	6.20	3.15	9.35
1940...	6.60	3.00	9.60	8.20	5.54	13.74	6.30	3.83	10.13	5.70	2.86	8.56
1941...	7.25	2.25	9.50	8.20	5.54	13.74	6.25	3.43	9.68	5.85	2.59	8.44
Per Cent Change	20.8	-43.7	-5.0	-28.7	55.1	-8.04	-43.0	-10.2	-56.9	-45.2	12.3	-40.3

TABLE 53--Continued

Year	15 Mill Cities											
	Ionla			Jackson			Muskegon			Muskegon Heights		
	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total
1929...	.....	.....	14.80	.....	.....	9.49	.....	.....	12.40	.....	.....	11.40
1930...	13.30	1.50	14.80	9.85	0	9.85	10.14	3.18	13.32	9.47	2.34	11.81
1931...	12.80	1.50	14.30	7.32	2.60	9.92	9.13	2.93	12.06	9.32	4.05	13.37
1932...	12.80	.70	13.50	7.35	2.57	9.92	8.41	2.98	11.39	6.61	7.71	14.32
1933...	12.80	.33	13.13	6.27	3.72	9.98	8.81	2.39	11.20	12.45	5.00	17.45
1934...	12.80	1.08	13.88	8.05	1.93	9.98	8.73	3.40	12.13	11.57	5.00	16.57
1935...	6.40	3.22	9.62	8.11	.39	8.50	5.90	4.68	10.58	5.90	7.90	13.80
1936...	6.50	3.30	9.80	5.25	3.25	8.50	6.02	3.73	9.75	6.00	7.00	13.00
1937...	6.10	4.20	10.30	5.65	3.91	9.56	6.10	2.79	8.89	6.00	4.90	10.90
1938...	6.10	3.30	9.40	5.50	3.81	9.31	6.10	2.79	8.89	6.00	3.90	9.90
1939...	5.50	2.68	8.18	5.50	3.97	9.47	5.80	3.84	9.64	5.80	3.90	9.70
1940...	5.00	2.00	7.00	5.40	3.82	9.22	5.15	3.24	8.39	5.15	4.20	9.35
1941...	5.10	1.75	6.85	5.60	3.73	9.33	5.15	3.24	8.39	5.15	4.08	9.23
Per Cent Change	-61.6	16.7	-53.4	-43.1	43.4	-1.6	-49.2	1.8	-32.4	-45.6	74.2	-19.0

TABLE 53--Continued

Year	15-Mill Cities									
	North Muskegon			Pontiac			Saginaw			
	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total	
1929...	.....	.....	20.16	.....	.....	16.12	.....	.....	18.41	
1930...	18.18	0	18.18	12.08	5.80	17.88	18.28	0	18.28	
1931...	17.06	0	17.06	10.04	5.36	15.40	18.17	0	18.17	
1932...	13.11	0	13.00	9.54	7.09	16.63	17.55	0	17.55	
1933...	12.55	0	12.55	.....	.....	19.20	.....	.....	14.27	
1934...	.....	.....	25.83	.....	.....	19.49	.....	.....	14.08	
1935...	14.95	9.61	24.56	5.99	6.16	12.15	7.19	3.50	10.69	
1936...	5.40	4.05	9.45	5.50	4.85	10.35	6.90	3.75	10.65	
1937...	5.54	3.72	9.26	5.50	5.20	10.70	6.70	3.86	10.56	
1938...	.....	.....	.....	5.50	5.05	10.55	6.85	3.80	10.65	
1939...	.....	.....	9.70	5.50	6.70	12.20	6.75	3.00	9.75	
1940...	4.95	2.93	7.88	5.45	6.82	12.27	6.50	2.88	9.38	
1941...	5.15	3.08	8.23	5.90	6.62	12.52	6.40	2.76	9.16	
Per Cent Change	-71.6	-67.9	-59.0	-51.1	14.1	-22.3	-64.9	-21.1	-50.2	

TABLE 53--Continued

Year	Non-15 Mill Cities											
	Ann Arbor			Bay City			Benton Harbor			Dearborn		
	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total
1929...	.....	.....	11.23	.....	.....	14.38	.....	.....	12.90	.....	.....	10.28
1930...	.....	.....	11.25	.....	.....	14.40	.....	.....	12.77	.....	.....	10.82
1931...	.....	.....	10.65	.....	.....	14.18	.....	.....	11.80	.....	.....	10.32
1932...	8.20	3.40	11.60	.....	.....	17.26	.....	.....	11.40	.....	.....	12.79
1933...	7.01	5.18	12.19	10.66	2.15	12.81	8.60	2.34	10.94	7.79	5.76	13.55
1934...	.....	.....	12.78	13.93	2.38	16.31	8.50	3.14	11.64	10.36	5.55	15.91
1935...	12.36	0	12.36	15.62	.83	16.45	13.55	0	13.55	.....	.....	13.75
1936...	7.51	2.66	10.17	.....	.....	16.21	10.44	2.42	12.86	.....	.....	14.93
1937...	7.36	2.68	10.04	18.87	.94	19.81	9.94	2.22	12.16	.....	.....	14.24
1938...	7.40	1.95	9.35	17.30	0	17.30	9.60	1.88	11.48	.....	.....	14.57
1939...	7.72	1.68	9.40	15.68	1.56	17.24	9.97	2.57	12.54	.....	.....	14.27
1940...	7.38	1.27	8.65	14.66	1.63	16.29	9.96	2.67	12.63	.....	.....	14.03
1941...	8.87	0	8.87	17.94	1.04	18.98	9.88	1.52	11.40	9.18	3.32	12.50
Per Cent Change	8.1	-62.6	-21.0	14.9	-51.6	31.7	14.9	-35.0	-11.6	17.8	-42.3	21.4

TABLE 53--Continued

Year	Non-15 Mill Cities									
	Kalamazoo			Lansing			Port Huron			
	Oper- ation	Debt	Total	Oper- ation	Debt	Total	Oper- ation	Debt	Total	
1929.....	.....	.....	11.00	.....	.....	11.96	.....	.....	13.60	
1930.....	.....	.....	11.00	.....	.....	11.96	.....	.....	13.60	
1931.....	.....	.....	11.00	.....	.....	11.62	.....	.....	13.68	
1932.....	.....	.....	11.41	.....	.....	13.08	.....	.....	12.76	
1933.....	8.64	1.05	9.69	9.97	4.17	14.14	9.79	4.36	14.15	
1934.....	8.84	1.01	9.85	10.48	3.58	14.06	8.88	5.01	13.89	
1935.....	8.15	.97	9.12	11.80	2.14	13.94	.....	.....	13.76	
1936.....	9.80	.90	10.70	11.40	2.40	13.80	.....	.....	13.74	
1937.....	9.50	.90	10.40	11.16	2.50	13.66	.....	.....	14.71	
1938.....	9.38	0	9.38	13.90	2.36	16.26	.....	.....	14.44	
1939.....	9.26	0	9.26	13.40	2.52	15.92	.....	.....	14.94	
1940.....	9.10	0	9.10	11.25	1.84	13.09	.....	.....	14.94	
1941.....	8.83	0	8.83	12.00	1.26	13.26	12.44	2.50	14.94	
Per Cent Change	2.2	.....	-19.7	20.3	-69.7	10.8	27.0	-42.6	9.8	

TABLE 54

TOTAL TAX LEVY, INCLUDING OPERATION AND DEBT
SERVICE, IN TWENTY-TWO CITIES,
1929-1941

Year	Total Tax Levy for Operation and Debt Service						
	15 Mill Cities						
	Battle Creek	Belding	Flint	Grand Rapids	Ionia	Jackson	Muskegon
1929.....	\$700,021	\$55,867	\$2,948,500	\$3,920,126	\$94,395	\$840,439	\$807,066
1930.....	712,712	50,933	3,335,607	3,559,068	94,395	894,646	880,627
1931.....	674,350	48,815	2,678,404	3,832,843	85,972	884,940	818,201
1932.....	748,907	45,781	2,980,190	3,722,969	68,052	845,807	611,170
1933.....	758,143	53,102	4,552,383	2,725,330	61,023	683,988	529,671
1934.....	702,335	40,703	1,945,642	2,530,744	64,924	671,248	539,676
1935.....	536,967	41,439	4,378,577	1,941,943	43,342	565,587	484,456
1936.....	571,232	30,567	2,674,253	1,943,383	43,447	562,491	460,390
1937.....	598,175	.....	2,154,300	2,042,041	46,454	642,566	460,382
1938.....	617,519	27,502	2,250,817	2,057,415	42,129	628,109	435,608
1939.....	592,217	26,938	2,179,220	1,795,618	37,195	646,685	449,725
1940.....	641,786	34,634	2,050,259	1,640,839	31,193	821,836	439,826
1941.....	647,015	34,081	2,068,260	1,627,452	30,585	637,712	439,825
Per Cent Change	-7.5	-38.9	-29.8	-58.5	-67.6	-24.1	-45.5

TABLE 54--Continued

Year	Total Tax Levy for Operation and Debt Service						
	15 Mill Cities			Non-15 Mill Cities			
	Muskegon Heights	North Muskegon	Pontiac	Saginaw	Ann Arbor	Bay City	Benton Harbor
1929.....	\$185,165	\$31,954	\$1,623,290	\$1,780,817	\$585,771	\$691,704	\$260,067
1930.....	196,203	32,359	1,860,150	1,805,472	601,618	686,712	260,073
1931.....	220,788	32,436	1,572,000	1,747,326	569,348	675,606	230,973
1932.....	201,079	24,202	1,299,955	1,648,563	478,865	702,922	199,403
1933.....	190,287	23,959	1,019,722	1,316,465	459,919	504,144	185,242
1934.....	180,556	46,474	1,086,548	1,194,706	483,107	645,460	168,029
1935.....	149,904	44,172	661,931	993,991	463,375	633,008	202,083
1936.....	145,040	17,073	606,345	1,004,517	381,138	626,731	192,976
1937.....	126,396	17,647	654,093	1,026,697	379,474	842,570	188,517
1938.....	118,840	.....	657,036	1,037,803	358,142	730,139	181,518
1939.....	119,202	.....	816,042	955,262	351,163	734,600	203,915
1940.....	115,922	17,439	887,281	906,260	339,489	695,529	203,640
1941.....	115,929	19,036	931,858	932,096	367,401	830,700	188,473
Per Cent Change	-37.3	-40.4	-42.5	-45.8	-37.2	20.0	-27.5

TABLE 54--Continued

Total Tax Levy for Operation and Debt Service									
Year	Non-15 Mill Cities								
	Dearborn	Escanaba	Hamtramck	Hastings	Highland Park	Kalamazoo	Lansing	Port Huron	
1929.....	\$2,700,000	\$125,916	\$1,516,284	\$51,000	\$1,410,148	\$902,857	\$1,847,628	\$521,150	
1930.....	2,700,040	128,052	1,800,940	49,608	1,380,614	911,379	1,853,272	531,850	
1931.....	2,445,000	117,564	1,664,706	49,647	1,195,223	899,069	1,797,243	539,150	
1932.....	2,420,000	106,837	1,427,237	34,074	1,151,724	899,060	1,610,296	458,150	
1933.....	2,183,000	121,747	1,287,530	26,600	986,097	704,323	1,535,622	399,400	
1934.....	2,580,000	117,325	1,340,875	32,380	1,010,679	704,035	1,517,948	432,100	
1935.....	2,237,000	126,388	1,406,290	33,096	1,038,084	639,311	1,505,709	430,178	
1936.....	2,468,000	124,417	1,397,566	32,150	1,034,590	760,815	1,496,149	430,800	
1937.....	2,463,000	123,950	1,412,087	37,543	1,159,977	763,066	1,524,883	466,200	
1938.....	2,650,000	120,000	1,377,967	44,307	1,182,133	691,336	1,766,310	471,300	
1939.....	2,743,000	120,930	1,363,839	38,802	1,144,942	682,914	1,651,119	492,700	
1940.....	2,604,000	115,000	1,398,938	40,142	1,144,943	675,747	1,348,188	484,600	
1941.....	2,683,000	114,947	1,505,916	44,492	1,226,095	648,199	1,423,680	508,870	
Per Cent Change	-.63	-8.7	-6.8	-12.7	-13.0	-28.0	-22.4	-2.2	

Copy of Letter Sent to Department of
Public Instruction in Seven States

Dear Sir:

I am making a study of some of the effects of the 15-mill limitation amendment on property in the State of Michigan. As a part of my report, I am attempting to bring together the history of the Blanket or Over-all Limitation on property taxes in each of the states. In the Municipal Yearbook for 1936 your state is listed as one having a blanket limitation. Do you have any printed or mimeographed material which would assist me in making a report on the history of your tax limitation?

If not, could you answer these specific questions:

1. Is your limitation statutory or a constitution amendment?
2. When was it adopted? If a constitution amendment, what was the vote for and against?
3. When would the limitation become effective?
4. Has the limitation resulted in greater state aid to schools, and to municipalities? If so, could you give me an idea of the increase in state aid to schools, to municipalities?
5. How may your property tax limitation be changed?
6. Are all schools under the limitation?
7. Are all municipalities under the limitation?

Please add additional information which you may know would be valuable in a historical account of your tax limitation.

I shall greatly appreciate your reply to my request.

Sincerely yours,

Loy Norrix
Superintendent of Schools

LN:GN

Form of Questionnaire Sent to Superintendents
in Twenty-two School Systems

City _____ Date _____ Information from _____

Year	1	2	3		4	
	Assessed Valuation	Equalized Valuation	Tax Rate (a) Operating	(b) Debt	Tax Levy (a) Operating	(b) Debt
1930-31						
1931-32						
1932-33						
1933-34						
1934-35						
1935-36						
1936-37						
1937-38						
1938-39						
1939-40						

Year	5	6	7	8	9
	Operating Budget for 10 Mo.	Operating Expendi- tures	Primary Fund Receipts	State Aid	Tuition All Kinds
1930-31					
1931-32					
1932-33					
1933-34					
1934-35					
1935-36					
1936-37					
1937-38					
1938-39					
1939-40					

Year	10 Vocational & Federal	11 Miscel. Receipts	12 - Tax Collections		
			Current (1) Operating	(2) Debt	(3) Delinquent for Operation
1930-31					
1931-32					
1932-33					
1933-34					
1934-35					
1935-36					
1936-37					
1937-38					
1938-39					
1939-40					

Year	13 Balances or Deficits at End of Year Notes Payable	14 Debts Capital Outlay	15 Operating	16 17 Defaults	
				Principal	Interest
1930-31					
1931-32					
1932-33					
1933-34					
1934-35					
1935-36					
1936-37					
1937-38					
1938-39					
1939-40					

Year	18 No. of Months in School Year	19 Census	20 Av. Member. in Public School	21 Av. Member. in Non-Public Sch.
1930-31				
1931-32				
1932-33				
1933-34				
1934-35				
1935-36				
1936-37				
1937-38				
1938-39				
1939-40				

Year	22 Pupil-Teacher Ratio	23 No. Classroom Teachers	24 Number of Supervising Principals	25 Av. Salary Classroom Teachers
1930-31				
1931-32				
1932-33				
1933-34				
1934-35				
1935-36				
1936-37				
1937-38				
1938-39				
1939-40				

	26 Total Amount Available for Operation	27 <u>Experience of Teachers</u> Average Outside of Your System	28 Total Educa- tional Staff Including Clerks, etc. excluding Janitors, etc.	29 <u>Teacher Turn- over.</u> (What % of your tchrs. left and were replaced by others.)
1930-31				
1931-32				
1932-33				
1933-34				
1934-35				
1935-36				
1936-37				
1937-38				
1938-39				
1939-40				

Form of Questionnaire Sent to Officials in
Fourteen Cities

City _____ Name of Person Providing Data _____
Position _____

DATA FROM MUNICIPALITIES

	Assessed Valuation	Tax Rate for Operation in Mills	Tax Rate for Debt Service in Mills	Total Operating Budget	Total Debt Service Budget
1930-31	_____	_____	_____	_____	_____
1931-32	_____	_____	_____	_____	_____
1932-33	_____	_____	_____	_____	_____
1933-34	_____	_____	_____	_____	_____
1934-35	_____	_____	_____	_____	_____
1935-36	_____	_____	_____	_____	_____
1936-37	_____	_____	_____	_____	_____
1937-38	_____	_____	_____	_____	_____
1938-39	_____	_____	_____	_____	_____
1939-40	_____	_____	_____	_____	_____

Classification of Operation Budget

	1	2	3	4	5
1930-31	_____	_____	_____	_____	_____
1931-32	_____	_____	_____	_____	_____
1932-33	_____	_____	_____	_____	_____
1933-34	_____	_____	_____	_____	_____
1934-35	_____	_____	_____	_____	_____
1935-36	_____	_____	_____	_____	_____
1936-37	_____	_____	_____	_____	_____
1937-38	_____	_____	_____	_____	_____
1938-39	_____	_____	_____	_____	_____
1939-40	_____	_____	_____	_____	_____

State Aid

	Homestead Land Tax	Liquor Tax	Snow Removal	Other
1930-31	_____	_____	_____	_____
1931-32	_____	_____	_____	_____
1932-33	_____	_____	_____	_____
1933-34	_____	_____	_____	_____
1934-35	_____	_____	_____	_____
1935-36	_____	_____	_____	_____
1936-37	_____	_____	_____	_____
1937-38	_____	_____	_____	_____
1938-39	_____	_____	_____	_____
1939-40	_____	_____	_____	_____

	Average Age of Employees	Average Yrs. of Service in City	Delinquent Tax for Operation	Delinquent Tax for Debt Service
1930-31	_____	_____	_____	_____
1931-32	_____	_____	_____	_____
1932-33	_____	_____	_____	_____
1933-34	_____	_____	_____	_____
1934-35	_____	_____	_____	_____
1935-36	_____	_____	_____	_____
1936-37	_____	_____	_____	_____
1937-38	_____	_____	_____	_____
1938-39	_____	_____	_____	_____
1939-40	_____	_____	_____	_____

Does your city have a pension or retirement plan in operation for employees? _____. If so, when was it adopted? _____
 Has it been changed since 1930? _____. If so, please state when and list the changes. _____

Has your city begun any significant services or eliminated any since 1930? _____. If so, please state which departments, whether added or eliminated, and when _____

Has your city voted to come under the provisions of the 15-mill property tax limitation amendment? _____. If so, please state when the election was held. _____, give votes for _____ and against _____. If your vote to come under the 15-mill property tax limitation was successful, have you taken a vote to get out? _____. If so, please state when election was held and give votes for _____ and against _____. If more than one vote has been taken, please give same data for each additional election. _____

Does your city support a public library? _____. If so, what share of the operating expense does the city pay? _____

Letter Sent to Seventeen County School
Commissioners

Dear Sir:

In a study I am making for my doctor's dissertation, I need the school census for certain counties for a ten-year period, beginning with 1930. If this information for your county is available on your records, I would greatly appreciate having you fill in the blanks below and return the information to me in the enclosed envelope. I would like the census for all school districts in the county including all cities. Thank you.

1930-31 _____	1935-36 _____
1931-32 _____	1935-37 _____
1932-33 _____	1937-38 _____
1933-34 _____	1938-39 _____
1934-35 _____	1939-40 _____

Sincerely yours,

Loy Norrix
Superintendent of Schools

LN:GN

Enc. - Envelope

Form of Questionnaire Sent to Superintendents
in 44 School Systems

Name of School	Name of Person Providing Data			
Names of courses added or restored Sr. H.S.	Names of courses added or restored Jr. H.S.	Names of courses eliminated Jr. H.S.	Subjects added or restored Elem.	Subjects eliminated Elem.
1930-31				
1931-32				
1932-33				
1933-34				
1934-35				
1935-36				
1936-37				
1937-38				
1938-39				
1939-40				

Do you operate kindergartens in all your schools? Were they begun prior to 1930? If begun since 1930, please give date. If Kgs. were eliminated during depression years, please give date of elimination. If restored, give date

Do you operate nursery schools? Are they locally supported or supported by federal funds? Please state when they were begun, whether they have been continuously operated, and the number of nursery schools each year since they were begun.

Do you have a definite sick-leave policy for teachers? When was it begun? Has it been changed since 1930? If so, please indicate the changes made.
(Send a copy of your sick-leave policy if available.)

What has been the per cent of membership of your teachers in the MEA each year--1930-31 1931-32 1932-33 1933-34 1934-35 1935-36 1936-37 1937-38 1938-39 1939-40

Do you have a local teacher union? Can you give the exact membership for each year? If not, please estimate the membership in the union. 1930-31 1931-32 1932-33 1933-34 1934-35 1935-36 1936-37 1937-38 1938-39 1939-40

Do you have a definite age at which teachers must retire? If so, please state the age . When was this plan adopted? . If no plan has been adopted, has your board or your administration taken any action toward adopting a plan? . State what . When

Did you have a salary schedule in operation in 1930? . Has it been in operation continuously since? . If not, when was it abandoned? . Has it been restored just as it was or has it been revised? . Please indicate any changes .

Has your school district voted to increase the property tax beyond the 15-mill limit either for operation or for debt service purposes? . If so, when? . Give votes, if possible, for and against . State whether the vote was for Debt Service or Operation . Give millage involved in each election. .

Has your city voted to come under the provisions of the tax limitation amendment? . If so, when to vote out? . What was the vote for against . If voted under the amendment, has city attempted to vote out? . If so, please give dates of elections and the votes for and against in each case. .

Does the board of education support the public library? . If so, what amount has been spent for it each year?

1930-31	1931-32	1932-33	1933-34	1934-35
1935-36	1936-37	1937-38	1938-39	1939-40

If board does not support public library, please indicate how library receives its support and control. . Has this relation changed since 1930? .

Does the school support a recreation program separate from that carried on by the public schools? . If so, give amount spent toward it each year.

1932-33	1930-31	1931-32
1937-38	1933-34	1935-36
	1938-39	1936-37
		1939-40

What offices or departments have been added or eliminated since 1930 (examples--visiting teacher, school nurse, school doctors, guidance officers, etc.) Please state when each addition or elimination occurred

Letters Sent to County Clerks in the Seventeen
Counties in Which the Twenty-two
Schools Are Located

Dear Sir:

I am making a study of some of the effects of the 15-mill limitation amendment in the State of Michigan upon schools and municipal governments in about twenty-two centers. One of the classifications of aid which very definitely affects state and local expenditures is that of welfare. I have the amount of state and federal aid for welfare in your county, but I need to know the amount of expenditures for all welfare purposes in your county each year for a period of ten years beginning with 1930.

Would it be possible for you to send me a list of expenditures for welfare for each year of this period? If your budget classifies welfare aid under more than one classification, I would appreciate your sending me the amount spent under each classification.

The data in this study will in no way advertise the particular situation in any county or city. The data will be compiled by groups of cities so that no favorable or unfavorable information could be obtained for any isolated situation.

I shall greatly appreciate your providing this information for me at your earliest convenience.

Sincerely,

Loy Norrix
Superintendent of Schools

Year	Classifications of Welfare Expenditures					Total
1930						
1931						
1932						
1933						
1934						
1935						
1936						
1937						
1938						
1939						

